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HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
AUGUST 27, 2014  
APPLICATION SUMMARY

NAME OF PROJECT: Lakeway Regional Hospital

PROJECT NUMBER: CN1405-013

ADDRESS: 726 McFarland Street  
Morristown (Hamblen County), Tennessee 37841

LEGAL OWNER: Hospital of Morristown, Inc.  
726 McFarland Street  
Morristown, TN 37841

OPERATING ENTITY: Not Applicable

CONTACT PERSON: Jerry Taylor, Attorney  
(615) 782-2228

DATE FILED: May 14, 2014

PROJECT COST: \$33,000

FINANCING: Cash Reserves

PURPOSE OF REVIEW: Discontinuance of obstetric services

DESCRIPTION:

Lakeway Regional Hospital (Lakeway or hospital), a 135 bed general hospital, whose parent company is owned by Community Health Systems, Inc., is seeking approval for the discontinuation of obstetric services. If approved, the applicant plans to redistribute 16 obstetric beds, including 6 labor/delivery/recovery/post-partum beds (LDRP) and 10 post-partum beds, for use on the hospital's existing medical/surgical service with no change to Lakeway's 135 licensed bed complement. The medical/surgical service bed complement will increase from 70 beds to 86 licensed beds and the number of private rooms of the service will increase from 5 private rooms to 21 private rooms. There is no construction or renovation cost associated with the redistribution of the 16 beds.

## SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

### Discontinuance of Obstetrical Services

#### A. Need

1. A specific service area should be identified and all existing providers of obstetrical services in that service area should be identified.

*The applicant identified 5 counties as its primary service area, including Cocke, Grainger, Hamblen, Hawkins and Jefferson Counties that accounted for approximately 87.4% of the service's utilization in 2013. There are currently 2 other providers of obstetrics services in the service area, including Morristown-Hamblen Health Care System less than 1 mile away and Tennova Health Newport, f/k/a Baptist Hospital Newport in Cocke County, approximately 22 miles away (also owned in whole or part by Community Health Systems). The 2 other providers have confirmed their interest and ability to absorb the applicant's OB caseloads*

*It appears the application meets this criterion.*

2. The female population aged 15-44 in the service area should be identified. The current year's population and the population four years hence should be used.

*According to the Department of Health (DOH) report, the female population aged 15-44 in the primary service area is estimated as 41,937 in 2014, increasing 2.5% to 42,981 in 2018.*

*It appears the application meets this criterion.*

3. The number of obstetrical patients served by the facility over the past three years should be listed.

*According to the DOH report, Lakeway Regional Hospital performed 271 deliveries in 2010, 327 deliveries in 2011, 298 deliveries in 2012, and 246 deliveries in 2013.*

*It appears the application meets this criterion.*

4. The estimated number of obstetrical patients affected by the discontinuance of obstetrical services should be listed. The estimated

**Lakeway Regional Hospital**

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number of obstetrical patients below the federally established poverty level and affected by the discontinuance of the service should be listed separately.

*Based on the estimated decline in deliveries from 2011 to 2013, the applicant estimates that 203 patients or less might be affected by the proposal to discontinue OB services.*

*Note to Agency Members: According to information provided by the Tennessee Department of Health, Lakeway Regional Hospital accounted for approximately 12% of 2,511 total deliveries by female residents (age 15-44) of the 5-county primary service area (PSA) in 2012. Further review was conducted by the Tennessee Department of Health (TDH) using the Hospital Discharge Data Base to identify the number deliveries at hospitals in Tennessee by female residents of the applicant's PSA in 2012. The TDH study identified 2,434 total deliveries by female residents at TN hospitals during the period. The results are reflected in the table below.*

**Deliveries by Female Residents of Applicant's PSA, 2012**

<b>Total Deliveries By female residents of PSA* as identified in HDDB</b>	<b>Total Deliveries at Hospitals in PSA</b>	<b>Deliveries by PSA residents at Knox County Hospitals (as a % of total)</b>	<b>Deliveries by PSA residents of PSA at Sullivan County Hospitals (as a % of total)</b>	<b>Deliveries by PSA residents at all other TN Hospitals (as a % of total)</b>
2,434	1,112	601	441	270
100%	46.10%	24.69%	18.12%	11.09%

- Note: the primary service area pertaining to this data request includes Cocke, Hamblen, Hawkins, Grainger and Jefferson Counties. Sources: Deliveries-TDH Population Statistics; Deliveries at area hospitals-TDH, Provider Joint Annual Reports& Hospital Discharge Data Base*

*The applicant reports that 17.8% of residents of the service area live below the poverty level and 66.7% of delivering mothers have TennCare as their primary payor.*

*It appears the application meets this criterion.*

B. Accessibility

1. Indicate the distance in miles and approximate travel time that patients in need of obstetrical services would have to travel, should the service be discontinued at the designated site.

*There are two hospitals that provide OB services that the applicant identifies. Morristown-Hamblen Health System in Morristown (Hamblen County), 0.20 miles away and Tennova Newport Medical Center in Newport (Cocke County) approximately 22 miles away.*

*Note to Agency members: There are also multiple hospitals in Knoxville (Knox County), Kingsport/Bristol (Sullivan County) that female residents of the service area appear to be using for obstetric services. The approximate distance from Lakeway Regional Hospital to these urban areas are as follows: Knoxville - 48 miles, Kingsport - 60 miles & Bristol - 65 miles.*

*It appears the application meets this criterion.*

2. Indicate the modes of transportation which will be used by obstetrical patients to travel to alternate sites, should the service be discontinued at the designated site.

*The primary mode of transportation of the patients diverted by this proposal is personal private vehicle and some by ambulance.*

*It appears the application meets this criterion.*

3. Indicate the facilities that will provide obstetrical services in the service area, should the service be discontinued at the designated site.

*There are two hospitals that provide OB services that the applicant identifies - Morristown-Hamblen Health System in Morristown 0.2miles away and Tennova Newport Medical Center in Newport 22 miles away. The applicant submitted letters from both hospitals confirming their capacity to absorb the patients.*

*Note to Agency members: There are also multiple hospitals in Knoxville (Knox County) and the Tri-Cities area that offer obstetric services. The approximate distance from Morristown to downtown Knoxville is 48 miles and to Kingsport is 60 miles.*

*It appears the application meets this criterion.*

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4. The charges for obstetrical services at alternate service delivery sites should be compared to those of the facility seeking to discontinue the service.

*As noted in Items 5 and 13 of the 5/23/14 supplemental response, and Item 3 of the 5/29/14 supplemental response, the applicant's charges for vaginal delivery and caesarian delivery are the highest of the 3 hospitals in the service area providing OB services. However, the applicant states that the charges do not equate to or determine actual reimbursement received which for OB services is generally TennCare (the applicant's TennCare payor mix was approximately 76% of total gross revenue in 2013). The applicant documented the other hospitals willingness & interest to absorb its OB caseload, including individuals enrolled in TennCare, in the application and supplemental responses.*

*It appears the application meets this criterion.*

5. The applicant should document that TennCare and/or Medicare patients can receive obstetrical services at the alternate service delivery sites.

*Per Item 4 of the 5/23/14 supplemental response, the applicant states that it is not aware of any barriers faced by TennCare patients as compared to any other payor or income group of the 5 county service area. Additionally, the applicant states that the hospitals that will continue to provide OB services if Lakeway discontinues its service (Morristown-Hamblen Health System and Tennova Newport Medical Center) both participate in the TennCare program. Letters from those hospitals documenting their interest and available capacity to absorb the OB volume from Lakeway Regional were included with the supplemental response.*

*It appears the application meets this criterion.*

## **Staff Summary**

*The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.*

### **Ownership**

Lakeway Hospital is owned by Hospital of Morristown, Inc., a Tennessee for-profit corporation formed in April, 1993 whose ultimate parent company is Community Health Systems, Inc. (CHS). Highlights of CHS are provided in the application and 5/23/14 supplemental response as follows:

- CHS licensed facilities in Tennessee include 20 hospitals, 5 ambulatory surgery centers, 7 home health agencies, 3 hospices, 2 nursing homes and 1 outpatient diagnostic center.
- Of the 20 Tennessee CHS hospitals, 12 offer inpatient OB services reporting approximately 7,213 total deliveries in 2013.
- 3 of the 20 CHS hospitals in Tennessee received certificate of need approval to discontinue OB services – LaFollette Medical Center in 1984, Jefferson Memorial Hospital in 2008 and Jamestown Regional Medical Center in 2010.

### Facility Profile

Lakeway Regional Hospital is a 135 bed hospital, licensed by the Tennessee Department of Health and is Joint Commission accredited. A breakdown of licensed and staffed beds is on page 4 of the application. The utilization of all inpatient bed services at the hospital was provided in the 5/23/14 supplemental response. Highlights from this information are identified as follows:

- 82 of 135 licensed beds were staffed and in service as of May 2014
- Total admissions declined by 25% from 3,478 in CY2011 to 2,607 in CY2013
- Licensed bed occupancy was 31.8% in CY2011, 28.1% in CY2012 and 22.5% in CY2013
- The ICU/CCU service had the highest average annual occupancy from CY2011 to CY2013 (63%); the OB Service was lowest during the 3 year period (20%)

According to the Department of Health's Joint Annual Report the two bed categories are defined as follows:

*Licensed Beds-The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).*

*Staffed Beds-The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.*

### Need

The primary factors driving the proposal to discontinue the service revolve around turnover of physicians and nursing staff, inability to recruit, declining OB volumes and operational inefficiencies in operating the service at a safe level. These are summarized in the TDH report from the application. Additional

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clarification was provided in Item 2 of the 5/23/14 supplemental response. Key highlights addressed by the applicant are as follows:

- Of 6 OB physicians in Morristown, 4 are employed staff at nearby Morristown-Hamblen Hospital System and cannot practice at Lakeway Regional.
- 2 OB physicians with active staff privileges are independent practitioners in the community (one is on the medical staff of both hospitals). OB volumes of one of these physicians (Dr. Zain) declined from 62 deliveries in 2011 to 39 deliveries in 2013.
- Last OB physician recruited by Lakeway left the hospital in 2012 upon completing contractual agreement.
- Low birth volumes insufficient to attract new physicians (averages approximately 16 deliveries per month per OB provider).
- Lack of adequate physician call coverage for the OB service (4 physicians recently switched from active to courtesy medical staff privileges).
- The loss of at least 4 nurses on the OB service due to the change in physician coverage.
- More stable clinical staffing for OB services by Morristown-Hamblen Health System to absorb applicant's caseloads. MHHS deliveries accounted for approximately 75% of total deliveries at Hamblen County hospitals from 2012 to 2013.

In addition to notifying other service area hospitals of Lakeway's intent to discontinue obstetric services, the applicant has notified the general public and has met with clinical staff to discuss developments. Dr. Michael Tan, Chief of Medical staff and Dr. Steve Sheedlo, Medical Director of Lakeway's Hospitalist Service, have been informed of the intent to discontinue OB services. These physicians have discussed with colleagues. They confirmed their general support of the hospital's plans to redirect resources and focus on general medical & surgical care in letters provided with the 5/29/14 supplemental response. Emergency conveyance services have been notified as well.

#### **Service Area Demographics**

Lakeway Regional Hospital's primary OB service area (PSA) includes Cocke, Grainger, Hamblen, Hawkins, and Jefferson Counties where historically over 87.4% of its patients reside.

- According to the Department of Health report, the Age 15-44 female population in the 5-county primary service area is estimated at 41,937 residents in calendar year (CY) 2014 increasing by approximately 2.5% to 42,981 residents in CY 2018.

- The overall statewide Age 15-44<sup>8</sup> female population is projected to grow by 1.9% from 2014 to 2018.
- The total population of the PSA is expected to grow at a slower pace from 2014 to 2018 (3.3%) than that of the state as a whole (3.7%).
- Approximately 21% of primary service area residents were enrolled in TennCare as of January 2014 compared to an 18% statewide average.
- Approximately 17.8% of the service area residents were below the federal poverty level from 2008 to 2012 compared to 17.3% statewide.

Sources: Population Projection Data Files, Reassembled by the Tennessee Department of Health: TennCare Bureau website; Census Bureau Quickfacts.

### Service Area Historical Utilization

Total births by all female residents (ages 15-44) of the 5-county primary service area (PSA) grew by 2.2% from 2,458 births in calendar year (CY) 2010 to 2,511 births in CY2012. Approximately 46.10% of births in 2012 were at the three hospitals with OB services in the applicant's PSA (source: Hospital Discharge Data Base study, TDH, June 2014).

Birth trends in the service area hospitals between CY2011 and CY2013 are displayed in the table below:

Utilization of Hospital OB Services in PSA, 2011-2013

Variable	Lakeway Regional	Morristown-Hamblen	Tennova-Newport	Total
Total Licensed Beds	135	167	74	376 beds
OB Beds	16	22	4	42 OB beds
average daily census OB only (2013)	1.6	4.5	1.0	2.4 patients per day
Deliveries-2013	246	758	189	1,193
Deliveries- 2012	298	826	208	1,332
Deliveries- 2011	327	801	258	1,386
% Change '11-'13	-25%	-5.3%	-26%	-14%

Sources: JAR and DOH Report, (table-5/23/14 Supplemental Response)

- The above chart indicates that Morristown-Hamblen Health System had the largest OB service market share from 2011 - 2013 (61% of total births) and the lowest decline during the period (5.3% decrease).
- The applicant and Tennova-Newport had the highest decline in births at approximately 25%.
- As noted, data from the **Hospital Discharge Data Base** provided by TDH revealed that births at the 3 hospitals with OB services in the primary service area (PSA) accounted for approximately 1,112 or 46.10% of 2,434 total births by female residents of the 5-county PSA.

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- Knox County hospitals accounted for 24.69% of the PSA resident births, followed by Sullivan County hospitals, 18.12%. Hospitals in all other counties of the state accounted for 11.09% of PSA resident births.

Female residents of Lakeway's PSA accounted for approximately 6.5% of all births at Knoxville hospitals in 2012 and 16.5% of all births at Sullivan County Hospitals. Please note the table below:

**Births by PSA Residents at Hospitals in Knox and Sullivan Counties, 2012**

County	# Hospitals with OB Service	Hospital Births 2012	Births by female Residents of Applicant's PSA	As a % of total Hospital Births
Knox	5	9,253	602	6.5%
Sullivan	3	2,678	441	16.5%
Total	8	11,931	1,043	8.7%

*Sources: 2012 Hospital Joint Annual Reports, TDH report – Hospital Discharge Data Base review of births in selected hospitals*

### Projected Utilization

- If the proposed project is approved, there will be no obstetric utilization after the hospital begins operation.
- For the hospital overall, the applicant expects a 21.1% licensed bed occupancy in 2015 increasing to 22.5% in 2016. The applicant provided a breakout of projected utilization by bed service in the 5/23/14 supplemental response. Please note the table below.

**Projected Utilization after Discontinuation of OB Service, 2015**

Utilization Measure	ICU/CCU	Med/Surg	Rehab	Swing Beds	Total
Beds	7 beds	86 beds	27 beds	15 beds	135 beds
Admissions	404	1,835	150	30	2,419
%Occupancy	61.6%	22.7%	15.2%	3.2%	21.1%

### Project Cost

- Total project cost is \$33,000. The costs are legal/consultant fees of \$30,000 and a \$3,000 filing fee.

### Historical Data Chart

The applicant provided two Historical Data Charts. The chart in the application shows the financial performance of the OB service from fiscal year (FY) 2011-FY2013. The chart in the 5/23/14 supplemental response shows the performance for the entire hospital during the period. Some of the key highlights are as follows:

- The OB service reported a Net Operating Income (NOI) loss of \$57,560.00 in (FY) 2013 on Net Operating Revenues of \$1,029,879 after contractual adjustments & bad debt (approximately \$4,186 per delivery).

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- NOI of the OB service decreased significantly from \$201,333 in FY2011 to a loss of \$57,560 in FY2013.
- For the hospital overall, there were NOI losses of \$274,311 in FY2011, \$2,729,161 in FY2012 and \$3,936,912 in FY 2013.
- Please note the table below for a summary of total financial performance for the most recent two fiscal year periods.

**Lakeway Regional Hospital's Financial Performance, 2012-2013**

Fiscal Measure	2013	2012	% change '12-'13
Admissions	2,607	3,264	-20.0%
Gross Operating Inpatient Revenue	\$123,859,627	\$130,160,623	-5.8%
Total Gross Operating Revenues	\$338,118,417	\$330,694,511	+2.0%
Charity	\$413,887	\$726,077	-43.0%
Other Deductions from Revenue	\$301,084,531	\$291,818,320	+3.1%
Net Operating Revenue	\$36,619,999	\$38,150,114	-4.0%
Direct Operating Expenses	\$29,637,118	\$30,364,251	-2.4%
<b>Subtotal-EBITDA*</b>	<b>\$6,982,881</b>	<b>\$7,785,863</b>	<b>-10.3%</b>
Indirect Expenses**	\$10,919,793	\$10,515,024	+3.8%
Net Operating Income (loss)	(\$3,936,912)	(\$2,729,161)	+44%

\*EBDITA= Earnings before interest (other than capital), taxes, depreciation and amortization

\*\*Indirect expenses are generally fixed costs not directly impacted by day to day operations. For this table they include depreciation of equipment and physical plant, interest not related to capital, taxes and amortization (principal/interest).

The table above shows an overall Net Operating Income loss during the period. Key findings are as follows:

- Decline of approximately 5.8% in inpatient gross operating revenue due to significant decrease in admissions from 2012 to 2013.
- There was a slight reduction in direct operating expenses
- Although favorable, EBDITA (earnings before depreciation, interest, taxes and amortization) decreased by 10.3% as a result of unfavorable changes in admissions, gross inpatient operating revenue and contractual adjustments from charges.
- EBDITA was not sufficiently high enough to fund indirect expenses leading to the unfavorable NOI amounts shown in the hospital's Historical Data Chart

### Projected Data Chart

The applicant provided a revised Projected Data Chart in the 5/23/14 supplemental response with a correction for interest expenses. The applicant also provided Projected Data Charts for both the hospital and the OB service should Lakeway Regional's proposal to discontinue the OB service is not approved. These charts reflect the following financial performance highlights:

#### Without OB service:

- Gross operating revenue increases by approximately 5% from Year 1 to Year 2 as a result of an increase in inpatient admissions and outpatient visits
- Net Operating Revenue is \$38,535,825 in Year 2, a slight increase from Year 1 due to offsets from a \$16,410,482 increase in contractual adjustments
- Lakeway expects net operating income losses of \$5,626,024 in Year 1 and \$5,571,160 in Year 2.

#### With OB service remaining:

- Net Operating Revenue of the OB service declines from \$1,029,879 in 2013 to \$770,231 in 2014.
- Net operating revenue of the hospital overall is \$38,535,456 in 2013, \$38,911,660 in 2015 (Year 1) and \$38,857,243 in 2016 (Year 2).
- The OB service expects a \$492,498 net operating income loss on 184 deliveries in 2014.
- The hospital overall expects net operating income losses of \$6,101,172 in Year 1 and \$6,823,638 in Year 2.

### Charges

If the proposed project is approved there will be no charges associated with obstetric services. A comparison of the applicant's charges to other hospital charges from the 5/28/14 supplemental response is provided in the table below. For the hospital overall, the applicant projects a gross charge of approximately \$12,043 per patient day and a net charge of \$3,640 per patient day.

**Comparison of Lakeway Regional's OB Charges to Charges of Other Hospitals in PSA**

Hospitals in Service Area	Gross Charge Vaginal Deliveries	Gross Charge Caesarian Deliveries
Lakeway Regional Hospital	\$12,055	\$37,825
Morristown-Hamblen Health	\$5,486	\$7,647
Newport Medical Center	\$9,587	\$14,451
<b>Group Average</b>	<b>\$9,043</b>	<b>\$15,638</b>

### Medicare/TennCare Payor Mix

If the proposed project is approved there will be no TennCare charges associated with obstetric services. The applicant points out that TennCare revenues accounted for approximately 76.3% of the OB service's total revenues in 2013.

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Review of the applicant's 2013 Joint Annual Report revealed that Medicare and TennCare patients accounted for approximately 77% and 12.5%, respectively, of 11,358 total inpatient days during the reporting period.

### **Financing**

A May 9, 2014 letter from Terri Warren, Chief Financial Officer of Lakeway Regional Hospital, confirms that the parent company has sufficient cash reserves to finance the proposed project.

Review of Lakeway Regional Hospital's Balance Sheet for the period ending December 31, 2013 indicates \$20,582 in cash and cash equivalents, total current assets of \$8,956,192, total current liabilities of \$4,732,891 and a current ratio of 1.89 to 1.0.

*Note to Agency Members: Current Ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.*

### **Staffing**

If the proposed project is approved there will be no staffing associated with obstetric services. The current OB service is staffed with 14 registered nurses, 1 licensed professional nurse and 1 surgical technician. The applicant states that the discontinuation of the OB service may result in the net loss of some positions; however, it has offered retention bonuses for nursing staff. In addition, the applicant states that staff will have the option of transferring to other open positions within the hospital or affiliated hospitals of Community Health Systems, Inc.

### **Licensure/Accreditation**

Lakeway Regional is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by the Joint Commission.

*Corporate documentation and asset purchase agreement are on file at the Agency office and will be available at the Agency meeting.*

Should the Agency vote to approve this project, the CON would expire in three years.

### **CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT**

There are no other Letters of Intent, denied applications, outstanding certificates of Need, or pending applications for this applicant.

*Note: Community Health Systems, Inc. has a financial interest in this project and the following:*

Outstanding Certificates of Need

**Dyersburg Regional Medical Center, CN1403-007**, has an outstanding Certificate of Need that will expire on September 1, 2017. The project was approved at the July 23, 2014 HSDA Meeting for the expansion of Diagnostic Cardiac Catheterization Services, currently limited to diagnostic procedures, to include interventional (therapeutic) cardiac catheterization procedures at Dyersburg Regional Medical Center, Dyersburg (Dyer County), Tennessee. The estimated project cost is **\$367,763**. *Project Status: the project was recently approved in July 2014.*

**Metro Knoxville, HMA, LLC d/b/a Tennova Healthcare-North Knoxville Medical Center, CN1211-056A**, has an outstanding Certificate of Need that will expire on April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the initiation of diagnostic cardiac catheterization services. The project involves construction and equipping of shell space within the hospital to serve as a dual cardiac catheterization/vascular lab, support areas for the lab, expanded waiting room, and additional pre-operative and post-operative space. The estimated project cost is **\$4,377,421.00**. *Project Status: Per update provided on 5/23/14 by a representative for CHS, construction is scheduled to begin in September 2014 with an anticipated completion date of February 28, 2015.*

**HMA Fentress County Hospital, LLC d/b/a Jamestown Regional Medical Center, CN1211-055**, has an outstanding Certificate of Need that will expire on April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the conversion of six (6) existing acute care hospital beds to swing beds located at 436 Central Avenue West, Jamestown (Fentress County). The estimated project cost is **\$30,677.00**. *Project Status: A representative of the hospital advised HSDA on 7/30/14 that its Medicare certification has been granted. CHS consultant is in process of training staff on all aspects of billing, patient accounts management and other activities related to the new provider certification. The service is expected to begin before 12/31/14.*

**Lebanon HMA, d/b/a University Medical Center, CN1210-051A**, has an outstanding Certificate of Need that will expire March 1, 2016. The CON was approved at the January 23, 2013 agency meeting for the initiation of linear accelerator services and acquisition of existing major medical equipment from Southeast Cancer Network, Inc. The estimated project cost is **\$4,844,035.00**. *Project Status: Per update provided on 5/23/14 by a representative for CHS, the acquisition of the linear accelerator services was completed in February 2013. Due to the*

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*CHS acquisition of HMA, the service line plan which would address the possible replacement of the linear accelerator has not been completed.*

North Knoxville Medical Center f/k/a Mercy Medical Center-North, CN1106-019A, has an outstanding Certificate of Need that will expire on 12/1/2014. The CON was approved at the October 26, 2011 Agency meeting for acquisition of a second linear accelerator for its radiation therapy department located on Mercy Medical Center-North campus located at 7551 Dannaher Way, Powell (Knox County), Tennessee 37849. The estimated project cost is \$4,694,671. *Project Status Update: Per update provided on 5/23/14 by a representative for CHS, this project has been delayed due to the CHS acquisition of HMA and other factors. As a result, it is likely a one year extension for this project will be requested.*

**CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG  
7/08/14

## LETTER OF INTENT



2014 MAY 9 AM 10:00

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Citizen Tribune, which is a newspaper of general circulation in Hamblen County, Tennessee, on or before May 9, 2014 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Lakeway Regional Hospital, owned and managed by Hospital of Morristown, Inc., intends to file an application for a Certificate of Need for authorization to discontinue its obstetrical service. The 16 obstetrical beds will be re-distributed to the general medical-surgical bed complement. Lakeway Regional Hospital is located at 726 McFarland Street, Morristown, Tennessee 37814. Lakeway Regional Hospital is licensed as a general hospital by the Tennessee Board for Licensing Health Care Facilities. The number of licensed hospital beds (135) will not change as a result of this proposal. No major medical equipment is involved in this project. The estimated project cost is \$33,000.00.

The anticipated date of filing the application is May 14, 2014.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, SunTrust Plaza, Suite 800, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228, [jerry.taylor@stites.com](mailto:jerry.taylor@stites.com).

Signature

Date

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The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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**COPY**

**-Application**

**Lakeway**

**Regional**

**Hospital**

**CN1405-013**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**LAKEWAY REGIONAL HOSPITAL**

**Discontinuance of Inpatient Obstetrical Services**

**Hamblen County, Tennessee**

**May 14, 2014**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

**SECTION A:****APPLICANT PROFILE****1. Name of Facility, Agency, or Institution**

Lakeway Regional Hospital  
**Name**

726 McFarland Street  
**Street or Route**

Morristown  
**City**

TN  
**State**

Hamblen  
**County**  
 37814  
**Zip Code**

**2. Contact Person Available for Responses to Questions**

Jerry W. Taylor  
**Name**

Stites & Harbison, PLLC  
**Company Name**

401 Commerce Street, Suite 800  
**Street or Route**

Attorney  
**Association with Owner**

Attorney  
**Title**

jerry.taylor@stites.com  
**Email address**

Nashville TN 37219  
**City State Zip Code**

615-782-2228 615-742-0302  
**Phone Number Fax Number**

**3. Owner of the Facility, Agency or Institution**

Hospital of Morristown, Inc.  
**Name**

726 McFarland Street  
**Street or Route**

Morristown  
**City**

TN  
**State**

(423) 522-6004  
**Phone Number**  
 Hamblen  
**County**  
 37814  
**Zip Code**

**4. Type of Ownership of Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

X

F. Government (State of TN or

G. Political Subdivision)

H. Joint Venture

I. Limited Liability Company

Other (Specify) \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
 REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Organizational documentation is attached as Attachment A, 4.

5. Name of Management/Operating Entity (If Applicable)

N/A

Name

Street or Route

County

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

X

D. Option to Lease

B. Option to Purchase

E. Other (Specify) \_\_\_\_\_

C. Lease of \_\_\_\_\_ Years

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

A copy of the deed to the hospital property is attached as Attachment A, 6.

7. Type of Institution (Check as appropriate--more than one response may apply)A. Hospital (Specify) General

X

I. Nursing Home

B. Ambulatory Surgical  
Treatment Center (ASTC),  
Multi-Specialty

J. Outpatient Diagnostic Center

K. Recuperation Center

L. Rehabilitation Facility

C. ASTC, Single Specialty

M. Residential Hospice

D. Home Health Agency

N. Non-Residential Methadone  
Facility

E. Hospice

O. Birthing Center

F. Mental Health Hospital

P. Other Outpatient Facility  
(Specify) \_\_\_\_\_G. Mental Health Residential  
Treatment Facility

Q. Other (Specify) \_\_\_\_\_

H. Mental Retardation  
Institutional Habilitation  
Facility (ICF/MR)

**8. Purpose of Review (Check) as appropriate--more than one response may apply)**

- |                                   |   |   |
|-----------------------------------|---|---|
| A. New Institution                |   | G. Change in Bed Complement               |
| B. Replacement/Existing Facility  |   | <i>[Please note the type of change by</i> |
| C. Modification/Existing Facility |   | <i>underlining the appropriate</i>        |
| D. Initiation of Health Care      |   | <i>response: Increase, Decrease,</i>      |
| Service as defined in TCA §       |   | <i>Designation, Distribution,</i>         |
| 68-11-1607(4)                     |   | <i>Conversion, Relocation]</i>            |
| (Specify) _____                   |   | H. Change of Location                     |
| E. Discontinuance of OB Services  | X | I. Other (Specify) _____                  |
| F. Acquisition of Equipment       |   | _____                                     |

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

9. **Bed Complement Data***Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds</u> <u>Licensed</u>	<u>*CON</u>	<u>Staffed</u> <u>Beds</u>	<u>Beds</u> <u>Proposed</u>	<u>TOTAL</u> <u>Beds at</u> <u>Completion</u>
A. Medical/surgical	<u>70</u>	<u>      </u>	<u>55</u>	<u>16</u>	<u>86</u>
B. Surgical (included in medical)	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
C. Long-Term Care Hospital	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
D. Obstetrical	<u>16</u>	<u>      </u>	<u>5</u>	<u>-16</u>	<u>0</u>
E. ICU/CCU	<u>7</u>	<u>      </u>	<u>7</u>	<u>      </u>	<u>7</u>
F. Neonatal	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
G. Pediatric	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
H. Adult Psychiatric	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
I. Geriatric Psychiatric	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
J. Child/Adolescent Psychiatric	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
K. Rehabilitation	<u>27</u>	<u>      </u>	<u>10</u>	<u>      </u>	<u>27</u>
L. Nursing Facility (non-Medicaid Certified)	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
M. Nursing Facility Level 1 (Medicaid only)	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
N. Nursing Facility Level 2 (Medicare only)	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
P. ICF/MR	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Q. Adult Chemical Dependency	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
R. Child and Adolescent Chemical Dependency	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
S. Swing Beds	<u>15</u>	<u>      </u>	<u>5</u>	<u>      </u>	<u>15</u>
T. Mental Health Residential Treatment	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
U. Residential Hospice	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>TOTAL</b>	<b><u>135</u></b>	<b><u>      </u></b>	<b><u>82</u></b>	<b><u>      </u></b>	<b><u>135</u></b>

10. **Medicare Provider Number:** 440067  
**Certification Type:** Hospital

11. **Medicaid Provider Number:** 0440067  
**Certification Type:** Hospital

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

Lakeway Regional Hospital is certified for both Medicaid/TennCare and Medicare.

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

Bluecare

TennCare Select

UnitedHealthcare Community Plans

**Will this project involve the treatment of TennCare participants?**

Lakeway Regional will continue to treat TennCare patients, but since this is a request to discontinue OB services, if it is approved Lakeway Regional will no longer treat TennCare patients for OB services.

**If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**

Lakeway Regional has provider agreements with Bluecare and with TennCare Select.

**Discuss any out-of-network relationships in place with MCOs/BHOs in the area.**

N/A.

**NOTE:** *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.**

### **Project Description**

The applicant seeks authorization to discontinue its inpatient OB and maternity service at Lakeway Regional Hospital. The 16 obstetrical beds (6 LDRP and 10 Post-Partum) will be re-distributed to the general medical/surgical bed complement. The number of licensed beds at Lakeway Regional will not change as a result of this project. The applicant has not determined what the space the OB program would vacate will be used for in the future. There is no construction or renovation involved in this project.

### **Services & Equipment**

The applicant seeks authorization to discontinue its inpatient OB and maternity service at Lakeway Regional Hospital. The 16 obstetrical beds (6 LDRP and 10 Post-Partum) will be re-distributed to the general medical/surgical bed complement. No equipment will be acquired.

### **Ownership Structure**

Lakeway Regional Hospital is owned by Hospital of Morristown, Inc. The ultimate parent company is Community Health Systems, Inc.

### **Service Area**

Lakeway Regional's O.B. service area consists of Hamblen, Cocke, Grainger, Hawkins and Jefferson counties. Residents of these five counties accounted for approximately 87.4% of OB admissions in 2013.

### **Need**

The need to discontinue the inpatient OB service at Lakeway Regional is driven by the following circumstances: (1) the four medical staff providers with active staff membership and who provide medical coverage for the newborn nursery are converting to consulting staff only effective May 1, 2014, which makes it very difficult if not impossible to have adequate physician



coverage in the newborn nursery; (2) the loss of at least four nurses who were covering the obstetrics unit and nursery, as a result of the changing medical staff status of the pediatricians; (3) there are only 2 obstetricians with active privileges delivering babies at Lakeway Regional. Even with both of these obstetricians meeting their required call responsibilities, there is no unassigned OB call coverage at Lakeway Regional 20 out of 30 days each month; (4) a decline in OB volume; and (5) the economic and operational inefficiencies of keeping the service functioning at a safe level in light of the previously mentioned circumstances.

#### Existing Resources

Lakeway Regional's O.B. service area consists of Hamblen, Cocke, Grainger, Hawkins and Jefferson counties. Residents of these five counties accounted for approximately 87.4% of OB admissions in 2013.

Grainger, Hawkins and Jefferson counties do not have inpatient OB services locally available. There is an inpatient OB program at Tennova Healthcare Newport (f/k/a Baptist Hospital Newport), located in Cocke County and at Morristown-Hamblen Healthcare System, located in Hamblen County. Morristown-Hamblen Hospital (MHH) is located approximately 0.2 miles from Lakeway Regional. The drive time from Lakeway Regional to MHH is approximately 2 minutes.

#### Project Cost & Funding

The total estimated project cost is \$33,000. There are no capital costs involved in this project. The only costs involved are legal, administrative and consultant fees, and the CON filing fee. The applicant has not made a final determination as to the future use of the space currently used for the OB unit. There are no renovation costs involved in this project.

#### Financial Feasibility

The operation of the hospital without OB services is economically feasible. The Projected Data Chart, which assumes no OB services, reflects an operating loss, but only because it includes both depreciation and amortization (consolidated under "depreciation" in Line D, 5) as an above the line expense. In reality, the hospital has and will have a positive cash flow. As demonstrated on the Historical Data Chart, the OB program produces negative net operating income. Although economic considerations are not the driver of the request to discontinue the OB service, it is not currently a cost effective program.

#### Staffing

At full staff, the OB unit had 17 FTE nursing and surgical tech positions. The approval of this proposal may result in the net loss of few positions. Lakeway Regional has offered retention bonuses in the amount of \$2500 to the OB nursing staff. Some have accepted and will stay. Some of the nursing staff has already left Lakeway Regional to pursue other opportunities. If the application is approved and the OB service is discontinued, the nurses who stay will have the option of transferring to open positions within the hospital, or they can transfer to open positions within affiliated CHS hospitals.

**II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

**If the project involves none of the above, describe the development of the proposal.**

Lakeway Regional seeks authorization to discontinue its inpatient OB service. This project involves no construction or renovation. Plans as to how the space will be utilized has not been finally determined.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

Lakeway Regional seeks authorization to discontinue its inpatient OB service. The hospital has 6 Labor, Delivery, Recovery and Post-Partum ("LDRP") beds and 10 Post-Partum beds. The beds will be re-distributed to the medical surgical bed complement.



**C. As the applicant, describe your need to provide the following health care services (if applicable to this application):**

The need to discontinue the inpatient OB service at Lakeway Regional is driven by the following circumstances: (1) the four medical staff providers with active staff membership and who provide medical coverage for the newborn nursery are converting to consulting staff only effective May 1, 2014, which makes it very difficult if not impossible to have adequate physician coverage in the newborn nursery; (2) the loss of at least four nurses who were covering the obstetrics unit and nursery, as a result of the changing medical staff status of the pediatricians; (3) there are only 2 obstetricians with active privileges delivering babies at Lakeway Regional. Even with both of these obstetricians meeting their required call responsibilities, there is no unassigned OB call coverage at Lakeway Regional 20 out of 30 days each month; (4) a decline in OB volume; and (5) the economic and operational inefficiencies of keeping the service functioning at a safe level in light of the previously mentioned circumstances.

1. **Adult Psychiatric Services**
2. **Alcohol and Drug Treatment for Adolescents (exceeding 28 days)**
3. **Birthing Center**
4. **Burn Units**
5. **Cardiac Catheterization Services**
6. **Child and Adolescent Psychiatric Services**
7. **Extracorporeal Lithotripsy**
8. **Home Health Services**
9. **Hospice Services**
10. **Residential Hospice**
11. **ICF/MR Services**
12. **Long-term Care Services**
13. **Magnetic Resonance Imaging (MRI)**
14. **Mental Health Residential Treatment**
15. **Neonatal Intensive Care Unit**
16. **Non-Residential Methadone Treatment Centers**
17. **Open Heart Surgery**
18. **Positron Emission Tomography**
19. **Radiation Therapy/Linear Accelerator**
20. **Rehabilitation Services**
21. **Swing Beds**

**D. Describe the need to change location or replace an existing facility.**

N/A.

**E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following: N/A.**

1. **For fixed-site major medical equipment (not replacing existing equipment):**

- a. Describe the new equipment, including:
    1. Total cost ;(As defined by Agency Rule).
    2. Expected useful life;
    3. List of clinical applications to be provided; and
    4. Documentation of FDA approval.
  - b. Provide current and proposed schedules of operations.
2. For mobile major medical equipment:
- a. List all sites that will be served;
  - b. Provide current and/or proposed schedule of operations;
  - c. Provide the lease or contract cost.
  - d. Provide the fair market value of the equipment; and
  - e. List the owner for the equipment.
3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

*Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.*

A plot plan for Lakeway Regional Hospital is attached as Attachment B, III, (A).

(B)

1. **Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

Lakeway Regional is located in the heart of Morristown. It is approximately 10 miles from Interstate 81, with connections by major thoroughfares and highways. The hospital is in an area of Morristown that includes several physician offices, clinics and outpatient health care providers. It is not located on a public transportation route, but is easily accessible to patients.

IV.

**Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.**

**NOTE: DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

A floor plan drawing of the existing OB unit is attached as Attachment B, IV.

V.

**For a Home Health Agency or Hospice, identify:**

N/A.

1. **Existing service area by County;**
2. **Proposed service area by County;**
3. **A parent or primary service provider;**
4. **Existing branches; and**
5. **Proposed branches.**

## **SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2” x 11” white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

### **QUESTIONS**

#### **I. NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.
  - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

#### **Five Principles for Achieving Better Health from the Tennessee State Health Plan:**

1. **Healthy Lives:** The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person’s health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

This is policy statement to which no response is necessary.

**2. Access to Care: Every citizen should have reasonable access to health care.**

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

The current State Health Plan does not include updated CON standards for the discontinuance of OB services. This proposal meets the standards for such authorization set forth in the Guidelines for Growth. These guidelines are discussed below.

**3. Economic Efficiencies: The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.**

The economic inefficiencies of the OB program is not the driver for this request, although the continue operation of the service under current conditions is clearly not economically feasible. There is an inpatient OB program at Morristown-Hamblin Health System ("MHHS"), which is located approximately 0.2 miles from Lakeway Regional. If approved, this proposal will almost certainly result in increased inpatient OB utilization at MHHS. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

**4. Quality of Care: Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.**

Since there is an alternative local provider of inpatient OB services located approximately 0.2 miles from Lakeside, the approval of this proposal will not have any adverse effect on the quality of care available, and little practical impact on accessibility to OB services.

**5. Health Care Workforce: The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of**



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**medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.**

At full staff, the OB unit had 17 FTE nursing and surgical tech positions. The approval of this proposal may result in the net loss of few positions. Lakeway Regional has offered retention bonuses in the amount of \$2500 to the OB nursing staff. Some have accepted and will stay. Some of the nursing staff has already left Lakeway Regional to pursue other opportunities. If the application is approved and the OB service is discontinued, the nurses who stay will have the option of transferring to open positions within the hospital, or they can transfer to open positions within affiliated CHS hospitals.

### **Discontinuance of Obstetrical Services (Guidelines for Growth)**

#### **A. Need**

- 1. A specific service area should be identified and all existing providers of obstetrical services in that service area should be identified.**

Lakeway Regional's O.B. service area consists of Hamblen, Cocke, Grainger, Hawkins and Jefferson counties. Residents of these five counties accounted for approximately 87.4% of OB admissions in 2013.

Grainger, Hawkins and Jefferson counties do not have inpatient OB services locally available. There is an inpatient OB program at Tennova Healthcare Newport (f/k/a Baptist Hospital Newport), located in Cocke County and at Morristown-Hamblen Healthcare System, located in Hamblen County.

- 2. The female population aged 15-44 in the service area should be identified. The current year's population and the population four years hence should be used.**

<u>Population Group</u>	<u>2014</u>	<u>2018</u>
Hamblen Co. Female 15-44	10,545	10,837
Cocke County Female 15-44	6,044	6,718
Grainger Co. Female 15-44	3,690	3,833
Hawkins Co. Female 15-44	8,363	7,512
Jefferson Co. Female 15-44	8,911	9,515
Service Area Female 15-44 Total	37,553	38,415

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Source: Department of Health Population Projects found at <http://health.state.tn.us/statistics/CertNeed.shtml>

There is a projected 2.3% increase in the female aged 15-44 population of the service area between 2014 and 2018.

**3. The number of obstetrical patients served by the facility over the past three years should be listed.**

OB Deliveries at Lakeway Regional:

<u>Year</u>	<u>Deliveries</u>	<u>Annual Decline</u>	<u>2 Year Decline</u>
2013:	246	(-17.4%)	(-24.8%)
2012:	298	(-8.9%)	
2011:	327		

Source: 2013: internal hospital records; 2011 & 2012: Joint Annual Reports

**4. The estimated number of obstetrical patients affected by the discontinuance of obstetrical services should be listed. The estimated number of obstetrical patients below the federally established poverty level and affected by the discontinuance of the service should be listed separately.**

Assuming the decline in deliveries would continue next year at the same rate as 2012-2013, the number of affected OB patients would be 203 patients ( $246 \times 17.4\% = 43$ ;  $246 - 43 = 203$ ).

If Lakeway Regional were to continue the OB program under the current circumstances, the actual rate of decline in deliveries would almost certainly be more accelerated as public awareness of the staffing issues increases. So the actual number of affected OB patients is likely less than 203, and that number would continue to fall for each year of continued operation.

But to say even 203 patients are “affected” by the closure should not be taken to mean those patients will be adversely affected. With an alternative OB service provider just 0.2 miles from Lakeway Regional, the closure of the Lakeway Regional OB program would not cause a significant hardship on any patient.

**B. Accessibility**

**1. Indicate the distance in miles and approximate travel time that patients in need of obstetrical services would have to travel, should the service be discontinued at the designated site.**

The closest provider of obstetrical services is Morristown-Hamblen Hospital (MHH), which is located approximately 0.2 miles from Lakeway Regional. The drive time

from Lakeway Regional to MHH is approximately 2 minutes. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

**2. Indicate the modes of transportation which will be used by obstetrical patients to travel to alternate sites, should the service be discontinued at the designated site.**

Most obstetrical patients arrive at the hospital by private automobile, although some arrive by ambulance. It is anticipated the same transportation modes would be utilized by patients seeking OB services at MHHS or other providers.

**3. Indicate the facilities that will provide obstetrical services in the service area, should the service be discontinued at the designated site.**

Morristown-Hamblen Healthcare System provides inpatient OB services. MHHS is located 0.2 miles from Lakeway Regional. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

**4. The charges for obstetrical services at alternate service delivery sites should be compared to those of the facility seeking to discontinue the service.**

The average net charge per patient day for inpatient OB services was \$7,600.00 in 2013.

The charges for OB services at Tennova Healthcare Newport and at MHHS are not available to the applicant.

**5. The applicant should document that TennCare and/or Medicare patients can receive obstetrical services at the alternate service delivery sites.**

According to MHHS's most recently filed Joint Annual Report (2012), it participates in both the TennCare and Medicare programs.

**[END OF RESPONSES TO STATE HEALTH PLAN & GUIDELINES FOR GROWTH]**

**b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)**

N/A.

**2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

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Lakeway Regional does not have any long term plans which would be impacted by the discontinuance of the OB service.

- 3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"**

The affected service area consists of Hamblen, Cocke, Grainger, Hawkins and Jefferson counties. Residents of these four counties accounted for approximately 87.4% of OB admissions in 2013.

A map of the service area is attached as Attachment C, I, Need, 3.

- 4. A. Describe the demographics of the population to be served by this proposal.**

A table reflecting relevant demographics of the service area is attached as Attachment C, I, Need, 4.

**B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

Since this proposal calls for the discontinuance of OB services at Lakeway Regional, the relevant population is that of females of child bearing age. Notable demographic characteristics of the population of the service area include the following:

The F 15-44 population of the service area is projected to increase 2014-2018 by 2.3% (37,553 in 2014 increasing to 38,415 in 2018). The same population group is projected to increase in the state-wide population by 1.9% during the same time period (1,175,260 in 2014 increasing to 1,197,623 in 2018). The total population of the service area is projected to grow at a slower pace 2014-2018 (3.3%) than that of the state as a whole (3.7%).

The need of the F 15-44 population of the service area for local OB services will continue to be met if this application is approved. Currently, the only counties in the service area in which OB services are available are Cocke County and Hamblen County. If this application is approved, that will continue to be the case. Inpatient OB services will be available at MHHS, which is located 0.2 miles from Lakeway Regional, as well as at Tennova Healthcare Newport (f/k/a Baptist Hospital Newport), in Cocke County.

- 5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of**

data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

The only counties in the service area in which Inpatient OB services are available are Cocke County and Hamblen County. There are two OB providers in Hamblen County, Lakeway Regional and MHHS. If this application is approved, inpatient OB services will still be available in Hamblen County -- at MHHS, which is located 0.2 miles from Lakeway Regional. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

The OB utilization for each OB provider in the service area is reflected below.

OB Deliveries at Lakeway Regional (Hamblen County):

<u>Year</u>	<u>Deliveries</u>
2013:	246
2012:	298
2011:	327

Source: 2013: internal hospital records; 2011 & 2012: Joint Annual Reports

OB Deliveries at MHHS (Hamblen Co.)

2012:	826
2011:	801
2010:	836

OB Deliveries at Tennova Newport (Cocke Co.)

2012:	208
2011:	258
2010:	207

Source: Joint Annual Reports

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Historical OB Utilization at Lakeway Regional:

<u>Year</u>	<u>Deliveries</u>	<u>Annual Decline</u>	<u>2 Year Decline</u>
2013:	246	(-17.4%)	(-24.8%)
2012:	298	(-8.9%)	
2011:	327		

Source: 2013: internal hospital records; 2011 & 2012: Joint Annual Reports

Projected OB Utilization at Lakeway Regional: 0**II. ECONOMIC FEASIBILITY**

**1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

**For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

The total estimated project cost is \$33,000. There are no capital costs involved in this project. The only costs involved are legal, administrative and consultant fees, and the CON filing fee. The applicant has not made a final determination as to the future use of the space currently used for the OB unit. There are no renovation costs involved in this project.

A completed Project Cost Chart is attached on the following page.

## PROJECT COSTS CHART

A.	Construction and equipment acquired by purchase:	
	1. Architectural and Engineering Fees	
	2. Legal, Administrative, Consultant Fees	\$30,000
	3. Acquisition of Site	
	4. Preparation of Site	
	5. Construction Costs	
	6. Contingency Fund	
	7. Fixed Equipment (Not included in Construction Contract)	
	8. Moveable Equipment (List all equipment over \$50,000.00)	
	9. Other (Specify) _____	
B.	Acquisition by gift donation, or lease:	
	1. Facility (Inclusive of building and land)	
	2. Building Only	
	3. Land Only	
	4. Equipment (Specify) _____	
	5. Other (Specify) _____	
C.	Financing Costs and Fees:	
	1. Interim Financing	
	2. Underwriting Costs	
	3. Reserve for One Year's Debt Service	
	4. Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)	\$ 30,000.00
E.	CON Filing Fee	\$ 3,000.00
F.	Total Estimated Project Cost (D & E)	\$ 33,000.00
	<b>TOTAL</b>	\$ 33,000.00

**2. Identify the funding sources for this project.**

**a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)**

- ☐ **A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**
- ☐ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**
- ☐ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**
- ☐ **D. Grants--Notification of intent form for grant application or notice of grant award; or**
- ☒ **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**
- ☐ **F. Other—Identify and document funding from all other sources.**

A letter from the CFO of Lakeway Regional Hospital is attached as Attachment C, II, Economic Feasibility, 2.

**3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

The total estimated project cost is \$33,000. There are no capital costs involved in this project. The only costs involved are legal, administrative and consultant fees, and the CON filing fee. The applicant has not made a final determination as to the future use of the space currently used for the OB unit, so there are no renovation costs involved in this project.

**4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include**



**anticipated revenue from the proposed beds only, not from all beds in the facility).**

A Historical Data Chart for the OB program at Lakeway Regional is attached following this response.

A Projected Data Chart for Lakeway Regional, without the OB program is attached following this response.

## HISTORICAL DATA CHART

Lakeway Regional Hospital OB Depts: 021,024,028

Give information for the last three (3) years for which complete data are available for the facility or agency.

	Year: 2011	Year: 2012	Year: 2013
A. Utilization/Occupancy Data	327 Deliveries	298 Deliveries	246 Deliveries
B. Revenue from Services to Patients			
1. Inpatient Services	\$3,814,843.00	\$2,767,915.00	\$2,611,599.00
2. Outpatient Services	\$444,369.00	\$316,215.00	\$162,081.00
3. Emergency Services			
4. Other Operating Revenue			
Specify: _____			
Gross Operating Revenue	\$4,259,212.00	\$3,084,130.00	\$2,773,680.00
C. Deductions from Operating Revenue			
1. Contract Deductions	\$2,613,878.40	\$1,892,730.58	\$1,702,309.00
2. Provision for Charity Care	\$0.00	\$0.00	\$0.00
3. Provision for Bad Debt	\$54,350.00	\$37,009.00	\$41,492.00
Total Deductions	\$2,668,228.40	\$1,929,739.58	\$1,743,801.00
<b>NET OPERATING REVENUE</b>	<b>\$1,590,983.60</b>	<b>\$1,154,390.42</b>	<b>\$1,029,879.00</b>
D. Operating Expenses			
1. Salaries and Wages	\$972,480.00	\$832,691.00	\$789,807.00
2. Physicians' Salaries and Wages			
3. Supplies/Drugs	\$282,901.00	\$223,006.00	\$201,422.00
4. Taxes			
5. Depreciation			
6. Rent		\$4,243.00	\$4,436.00
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affiliates *			
b. Fees to Non-Affiliates			
9. Other Expenses	\$134,270.00	\$97,973.00	\$91,774.00
Specify: Other Operating, Purch Serv, Maint, Malpractice			
Total Operating Expenses	\$1,389,651.00	\$1,157,913.00	\$1,087,439.00
E. Other Revenue (Expenses)--Net			
Specify: _____			
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$201,332.60</b>	<b>(\$3,522.58)</b>	<b>(\$57,560.00)</b>
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
Total Capital Expenditures	\$0.00	\$0.00	\$0.00
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$201,332.60</b>	<b>(\$3,522.58)</b>	<b>(\$57,560.00)</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$201,332.60</b>	<b>(\$3,522.58)</b>	<b>(\$57,560.00)</b>

\* Corporate management fees allocated to Lakeway Regional are reflected on the projected data chart. However, it is not possible to allocate a portion of these fees to OB or any specific service line.

## D. Operating Expenses

9. Other Expenses	2011	2012	2013
Malpractice Ins	\$89,482	\$89,482	\$89,482
Repairs & Maint	\$13,958	\$6,706	\$2,292
Other Operating	\$6,605	\$1,785	\$0
Purchased Services	\$24,225	\$0	\$0
	\$134,270	\$97,973	\$91,774

## PROJECTED DATA CHART

Give Information for the two (2) years following completion of this proposal. The fiscal year begins in January.

		Year 1	Year 2
		2419 admissions	2467 admissions
A.	Utilization/Occupancy Data (Specify unit of measure).		
B.	Revenue from Services to Patients		
	1. Inpatient Services	\$ 125,258,940.00	\$ 131,521,887.00
	2. Outpatient Services	\$ 200,393,126.00	\$ 210,412,782.30
	3. Emergency Services	\$ 21,400,749.00	\$ 22,470,786.45
	4. Other Operating Revenue (Specify) _____	\$	\$
	<b>Gross Operating Revenue</b>	<b>\$ 347,052,815.00</b>	<b>\$ 364,405,455.75</b>
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	\$ 304,209,655.00	\$ 320,620,137.75
	2. Provisions for Charity Care	\$ 726,077.00	\$ 762,380.85
	3. Provisions for Bad Debt	\$ 4,273,440.00	\$ 4,487,112.00
	<b>Total Deductions</b>	<b>\$ 309,209,172.00</b>	<b>\$ 325,869,630.60</b>
	<b>NET OPERATING REVENUE</b>	<b>\$ 37,843,643.00</b>	<b>\$ 38,535,825.15</b>
D.	Operating Expenses		
	1. Salaries and Wages	\$ 14,694,526.00	\$ 14,988,416.52
	2. Physicians' Salaries and Wages	\$ -	\$ -
	3. Supplies	\$ 6,601,406.00	\$ 6,733,434.12
	4. Taxes	\$ 3,907,860.00	\$ 3,946,938.60
	5. Depreciation	\$ 3,288,750.00	\$ 3,321,637.50
	6. Rent	\$ 1,052,032.00	\$ 1,041,511.68
	7. Interest, other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates	\$ 1,702,236.00	\$ 1,702,236.00
	b. Fees to Non-Affiliates		
	9. Other Expenses	\$ 7,497,692.00	\$ 7,647,645.84
	Specify: <u>Purch Svs, R&amp;M, Utilities, mktng, other</u>		
	<b>Total Operating Expenses</b>	<b>\$ 38,744,502.00</b>	<b>\$ 39,381,820.26</b>
E.	Other Revenue (Expenses)--Net		
	Specify: _____		
	<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (900,859.00)</b>	<b>\$ (845,995.11)</b>
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest		
	<b>Total Capital Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (900,859.00)</b>	<b>\$ (845,995.11)</b>
	<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$ (900,859.00)</b>	<b>\$ (845,995.11)</b>

## D. Other Operating

9. Other Expenses	Year 1	Year 2
Repairs & Maint	\$1,266,948.00	\$1,292,286.96
Other Operating	\$460,814.00	\$470,030.28
Purchased Services	\$3,625,704.00	\$3,698,218.08
Med Specialty Fees	\$1,371,924.00	\$1,399,362.48
Physician Recruiting	\$9,186.00	\$9,369.72
Contract Labor	\$150,000.00	\$153,000.00
Utilities	\$613,116.00	\$625,378.32
	\$7,497,692.00	\$7,647,645.84

- 5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

N/A. Since the proposal is to discontinue the OB services, there are no relevant average proposed charges.

- 6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

In 2013 the average net charge for inpatient OB services at Lakeway Regional was \$10,616 per delivery. Since it is proposed OB services be discontinued, there are no proposed charges. The discontinuance of OB services will not have any effect on hospital charges for other services.

**B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).**

Since it is proposed OB services be discontinued, there are no proposed charges to compare to charges of other providers of OB services in the area. The application for the most recent similar project to be approved, Pioneer Community Hospital of Scott (CN1308-030A) likewise listed no proposed charges.

- 7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

N/A. There are no projected utilization rates. As demonstrated on the Historical Data Chart, the OB program produces negative net operating income. Although economic considerations are not the driver of the request to discontinue the OB service, it is not currently a cost effective program.

- 8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

The operation of the hospital without OB services is economically feasible. The Projected Data Chart, which assumes no OB services, reflects an operating loss, but only because it includes both depreciation and amortization (consolidated under "depreciation" in Line D, 5) as an above the line expense. In reality, the hospital

has and will have a positive cash flow. (See E.B.I.T.D.A. entry on Income Statement, Attachment C, II, Economic Feasibility, 10).

9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

Lakeway Regional Hospital participates in the Medicare and TennCare programs. In CY 2013, its OB or mix was Medicare 2.1% and TennCare 76.3%. Since this proposal involves the discontinuance of OB services, the projected Medicare and TennCare revenue is \$0.

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Financial statements for Hospital of Morristown, Inc., d/b/a Lakeway Regional Hospital are attached as Attachment C, II, Economic Feasibility, 10.

11. **Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**
  - a. **A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

The alternative to this proposal is to continue providing OB services at Lakeway Regional. This alternative would not be less costly or practical for several reasons. First, as volumes decline, a 3 years trend which is expected to continue, the cost per delivery will increase. Second, due to the lack of active medical staff pediatricians and lack of nurses to staff the nursery, and lack of adequate obstetrician coverage for the OB unit, the hospital would have to get *locum tenens* coverage, which would be cost prohibitive.

- b. **The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing**

arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

N/A. There is no construction or renovation involved in this project.

### **(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

A list of such providers is attached as Attachment C, III, Orderly Development, 1. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

The positive effects of the proposal are: (1) it will allow OB services to be provided in the same community as they are now provided, at a hospital which has more stable clinical staffing for inpatient OB services; (2) it will allow Lakeway Regional to operate in a more cost-efficient manner; and (3) it will likely increase OB volume at MHHS.

The negative effect is it will lessen patient choice of providers for OB services. But, with an alternative provider of OB services available within 0.2 miles of Lakeway Regional, it should not adversely impact accessibility for patients.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

The staffing for the OB program at full staff:



<u>Position</u>	<u>FTEs</u>	<u>Avg. Wage</u>	<u>Median Wage (TDOL&amp;WD)</u>
RN	14	\$24.93	\$25.25
LPN	1	\$13.31	\$16.15
Surg. Tech	2	\$12.95	\$14.45

There is no proposed staffing, since the proposal is to discontinue the OB service.

- 4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

N/A. No additional staff is required by this proposal. Lakeway Regional will continue to comply with all applicable licensing requirements.

- 5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

The applicant so verifies.

- 6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

1. Lincoln Memorial University-Debusk College of Osteopathic Medicine. Rural hospital rotation training for 3<sup>rd</sup> and 4<sup>th</sup> year medical students. Each rotation is for eight weeks.

2. University of Pikeville- Kentucky College of Osteopathic Medicine. Core rotation training for 3<sup>rd</sup> year medical students. Each rotation is for one year.

- 7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

The applicant so verifies. Lakeway Regional will maintain compliance with all licensure and certification requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

**Licensure:** Tennessee Board for Licensing Health Care Facilities

**Accreditation:** Joint Commission

**If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.**

Lakeway Regional Hospital is in good standing with both the Tennessee Board for Licensing Health Care Facilities, and the Joint Commission.

A copy of the hospital license is attached as Attachment C, III, Orderly Development, 7.

- 8. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

A copy of the most recent state survey is attached as Attachment C, III, Orderly Development, 8. Immediately following the survey results is a copy of Lakeway Regional's Plan of Correction. After a diligent search, the applicant was unable to locate a copy of the state's letter accepting the POC. However, the POC was accepted by the state and implemented by Lakeway Regional.

- 9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

None.

- 10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

None.

- 11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

If the proposal is approved, the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

### PROOF OF PUBLICATION

**Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.**

The Notice of Intent was published in the Citizen Tribune, a newspaper of general circulation in Hamblen County, Tennessee on May 9, 2014. A Publisher's Affidavit has been requested and will be timely submitted when received.

### DEVELOPMENT SCHEDULE

**Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.**

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

A completed Project Completion Forecast Chart is attached following this response.

- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.**

N/A.

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):  
August 27, 2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>	<b>DAYS REQUIRED</b>	<b>Anticipated Date (MONTH/YEAR)</b>
1. Architectural and engineering contract signed		
2. Construction documents approved by the Tennessee Department of Health		
3. Construction contract signed		
4. Building permit secured		
5. Site preparation completed		
6. Building construction commenced		
7. Construction 40% complete		
8. Construction 80% complete		
9. Construction 100% complete (approved for occupancy)		
10. *Issuance of license		
11. *Initiation of service (Discontinuance of OB Service)	30	September, 2014
12. Final Architectural Certification of Payment		
13. Final Project Report Form (HF0055)	60	October, 2014

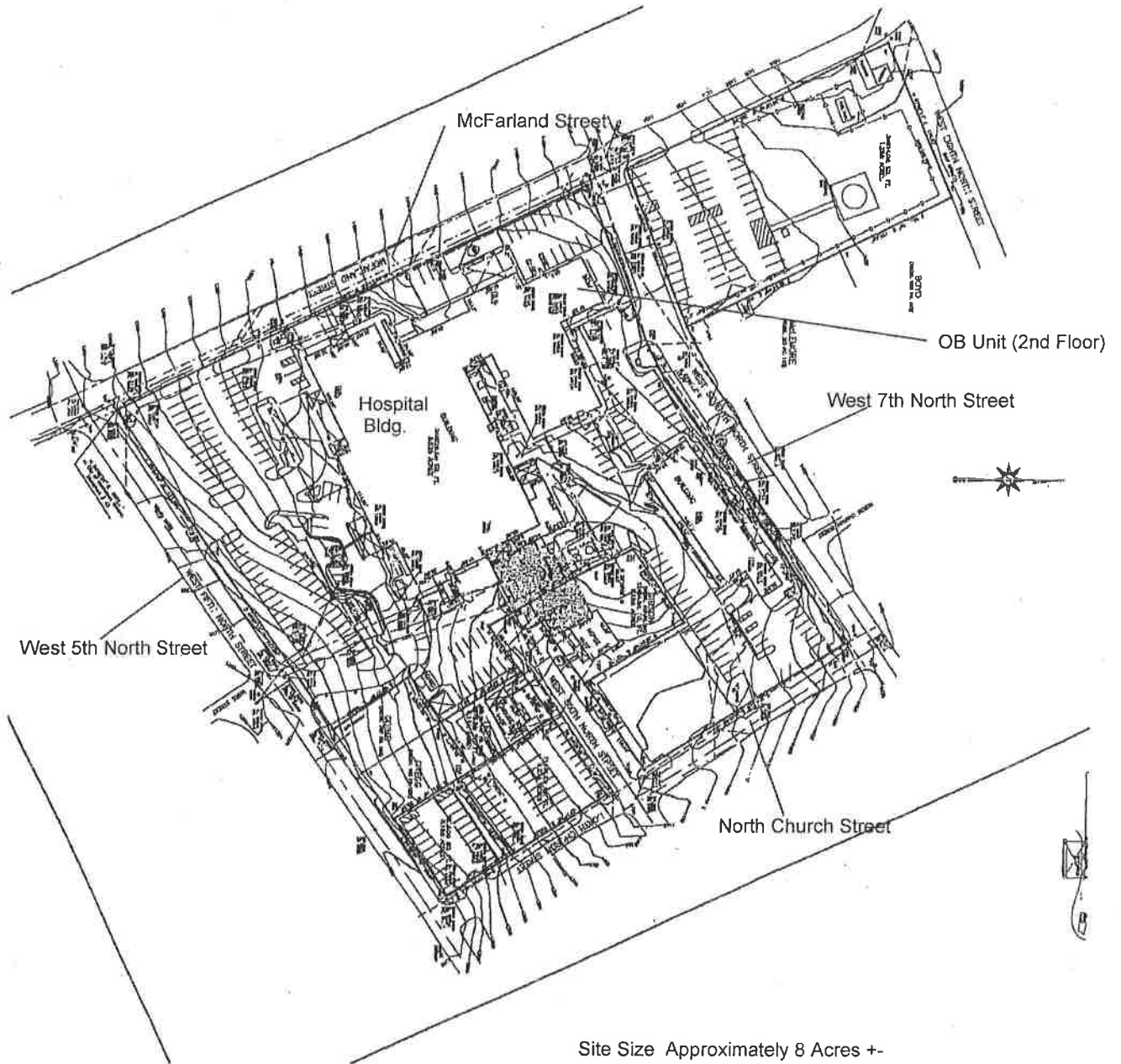
\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

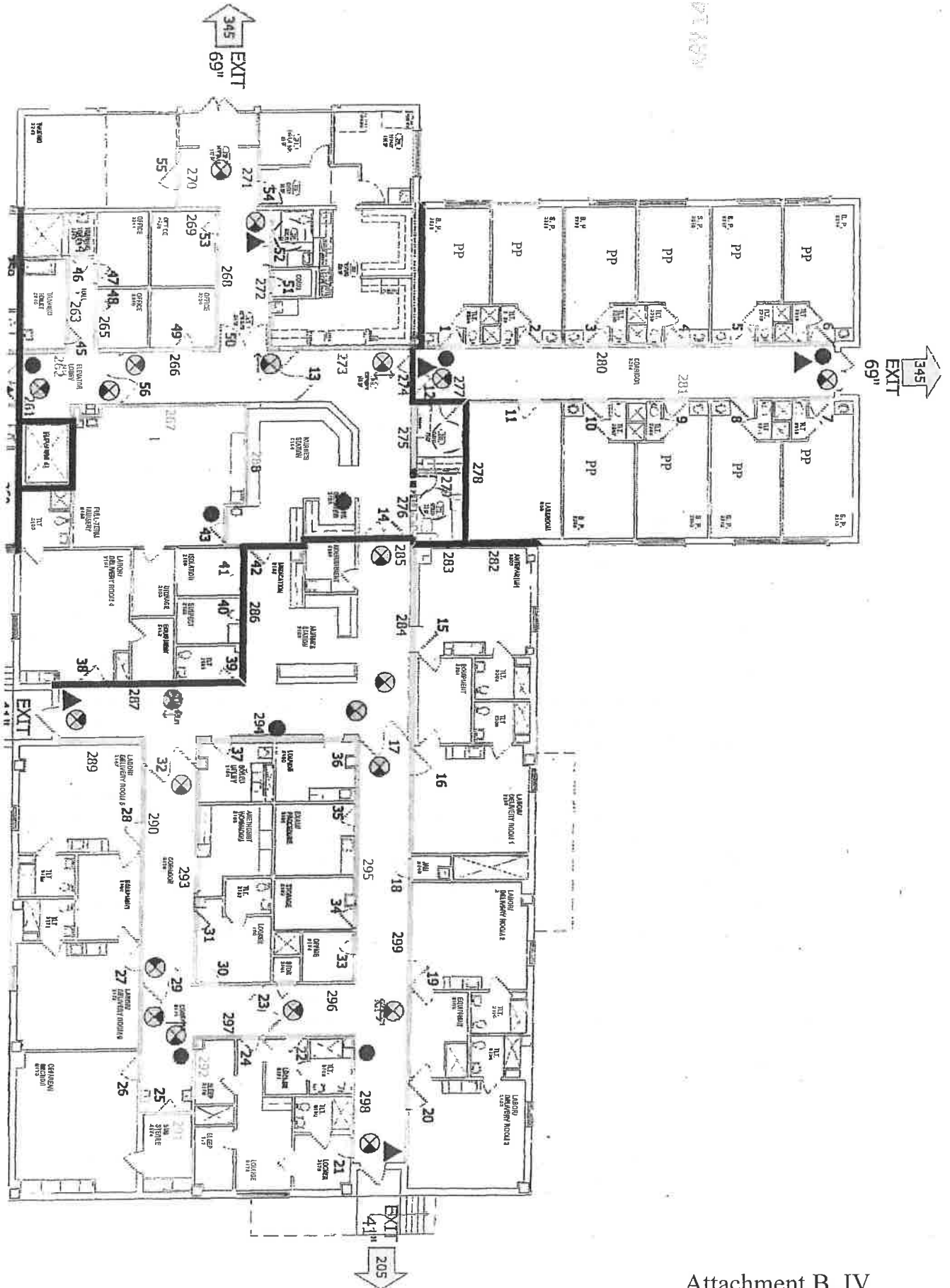
**Note:** If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

## List of Attachments

### Lakeway Regional Hospital

Organizational documentation	<u>Attachment A, 4</u>
Deed to the hospital property	<u>Attachment A, 6</u>
Plot Plan	<u>Attachment B, III, (A)</u>
Floor plan of the existing OB unit	<u>Attachment B, IV</u>
Transfer Agreement between Lakeway Regional and MHHS	<u>Attachment C, I, Need, 1, a, (1)</u>
Map of the service area	<u>Attachment C, I, Need, 3</u>
Demographics of the service area	<u>Attachment C, I, Need, 4</u>
Funding Letter	<u>Attachment C, II, Economic Feasibility, 2</u>
Financial statements	<u>Attachment C, II, Economic Feasibility, 10</u>
List of health care contractors	<u>Attachment C, III, Orderly Development, 1</u>
Hospital license	<u>Attachment C, III, Orderly Development, 7</u>
State survey and Plan of Correction	<u>Attachment C, III, Orderly Development, 8</u>





## TRANSFER AGREEMENT

**THIS TRANSFER AGREEMENT** (the "Agreement") is entered into as of the Effective Date by and between the parties described on the signature page below, each of which may be individually referred to as "Party" and together which are collectively referred to herein as "Parties."

**WHEREAS**, the Parties are licensed health care facilities serving the health care needs of the residents of their respective service areas; and

**WHEREAS**, a Party ("Transferring Facility") may, from time to time, require the services of the other Party ("Receiving Facility") to provide health care services to patients served by Transferring Facility.

**NOW, THEREFORE**, in consideration of the promises herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

**1. Transfers.** When the Transferring Facility does not have the capability or resources to perform certain services as may be mutually agreed to by the Transferring Facility and the Receiving Facility, the Transferring Facility may transfer the patient to the Receiving Facility for such services, and the Receiving Facility agrees to accept transfers of such patients from the Transferring Facility in accordance with this Agreement and consistent with current federal and state laws.

**2. Prior to Transfer.** Before transferring any patient, a Transferring Facility physician shall examine the patient, document the patient's condition, and determine that the patient requires specialized services provided at the Receiving Facility. The Transferring Facility physician shall evaluate the patient and determine whether the patient is stabilized for transport. Patients not stabilized will not be transferred unless the patient (or a responsible person acting on the patient's behalf) provides a written request for transfer, despite being informed of the hospital's EMTALA obligations to provide treatment, or the Transferring Facility physician certifies in writing that, based upon the reasonable risks and benefits to the patient and the information available at the time, the medical benefits of the transfer outweigh the risks to the patient.

**3. Accepting Transfers.** A patient may be transferred to a Receiving Facility only after an attending physician at such facility agrees to accept the patient's transfer and to provide appropriate medical treatment after speaking with a Transferring Facility physician. The Receiving Facility and its physicians shall give prompt confirmation of whether the Receiving Facility can provide care appropriate to the patient's medical needs. If the Receiving Facility's attending physician has approved and agreed to the admission of the transfer patient after concluding that the Receiving Facility has available space and qualified personnel for treatment of the individual, Receiving Facility shall facilitate prompt admission of the patient.

**4. Transfer Decisions; Nondiscrimination.** Neither the Transferring Facility nor the Receiving Facility shall make any decision regarding the transfer or admission of a patient in a discriminatory, arbitrary, or capricious manner, or in the case of an emergency, on the basis of a patient's insurance status, source of payment, or ability to make payment. Services shall be provided under this Agreement in a nondiscriminatory manner without regard to race, gender, religion, color, national origin, or disability.

**5. Appropriate Transfers.** The Transferring Facility shall arrange for provision of appropriate transfers in accordance with state and federal law and, as necessary, shall provide or arrange



for provision of qualified personnel, appropriate transportation equipment, and the use of necessary and medically appropriate life support measures during the transfer. The Transferring Facility shall assure that the required EMTALA and other standard transfer and referral forms, relevant portions of the patient's medical record, and other relevant information needed to continue the care of the patient, together with all other essential identifying and administrative information necessary for treatment and payment, are sent with the patient on transport or made available as soon as practicable after transfer. The Receiving Facility agrees to accept appropriate transfers of patients from the Transferring Facility consistent with this Agreement and as required by law.

**6. Treatment Responsibilities.** The Transferring Facility shall bear no responsibility for the care and treatment provided to any patient once the Transferring Facility no longer has physical custody of the patient. The Receiving Facility shall bear no responsibility for the care and treatment provided to any patient prior to the arrival at the Receiving Facility.

**7. Payment.** It is agreed that services rendered by the Receiving Facility or the Transferring Facility shall be charged to the patient (or applicable payer) and that neither shall be held responsible for payment of services rendered to the patient by the other. The Parties shall cooperate in the provision of the information for each Party to bill and obtain payment for the services provided by them. Each Party will use reasonable commercial efforts to abide by all policies, regulations, and contractual obligations with regard to billing patients and/or third party payors for services it performs. Neither Party nor their physicians shall be held responsible for payment for services rendered by the other Party or its physicians.

**8. Applicable Law.** This Agreement shall be governed by, and services performed hereunder shall be provided in a manner consistent with, Tennessee and applicable federal laws and/or regulations, without regard to principles of conflicts of law. This includes, but is not limited to, the provisions of the Emergency Medical Treatment and Active Labor Act ("EMTALA"), 42 U.S.C.A. § 1395dd; Tennessee law regarding patient transfer, TCA § 68-11-701 through 705; EMTALA regulations, 42 C.F.R. § 489.24; and Tennessee regulation governing patient transfers, Tenn. Reg. § 1200-8-1-.05. This provision shall survive the termination of this Agreement.

**9. Incidents.** The Parties agree to promptly notify each other in writing of any incident, occurrence, or claim arising out of or in connection with the transfer of a patient transferred under the Agreement and to cooperate with each other in any investigation of said incident, occurrence, or claim, including providing the other Party with any necessary medical records and information upon request. In addition, should a Party obtain information that reasonably leads it to believe there has or may have been a violation of law or this Agreement relative to the transfer or attempted transfer of a patient, such Party shall promptly provide notice of the same to the other Party.

**10. Independent Parties.** Nothing contained in the Agreement shall be construed or deemed to create a relationship of employer and employee, principal and agent, insured and insurer, partnership, joint venture, or any other relationship other than that of independent parties, contracting with each other solely to carry out the purposes recited in the Agreement. Each Party shall be considered to be an independent party and shall not be construed to be an agent or representative of the other Party, and therefore, has no liability for the acts or omissions of the other Party. In addition, neither Party, nor any of its employees, agents, or subcontractors, shall be deemed employees or agents of the other Party.

**11. Insurance.** Each Party agrees to maintain adequate liability coverage as is customary for comparable facilities in the region to cover itself, and its employees, contractors, and agents from any and all liability arising out of or related to the services provided pursuant to this Agreement including, but not limited to, general and professional liability coverage. However, this provision shall not be construed so

as to prohibit the Parties from fulfilling this obligation with various programs of insurance, self-insurance, and/or self insured retention. This provision shall survive the expiration or termination of this Agreement for any reason.

**12. Term.** This Agreement shall be effective from the Effective Date and shall continue until terminated. Either Party may terminate this Agreement upon thirty (30) days written notice to the other Party. Each Party agrees to give prompt notice to the other Party in the event of institution of proceedings for suspension or revocation of its license, and to provide notice of suspension or revocation of its license within twenty-four (24) hours of its occurrence. This Agreement shall automatically terminate should either Party fail to maintain licensure or certification as required by law or regulation. Further, either Party, in its sole discretion, may terminate this Agreement in the event the other Party is given notice of the institution of proceedings to suspend or revoke its licensure.

**13. Compliance with Applicable Law; Exclusion.** Each Party represents and warrants it is duly licensed under applicable law and it has not been excluded from participation in Medicare, TennCare, Medicaid, or any other federal or state healthcare program. Each Party agrees to abide by applicable law and regulations governing the licensure, accreditation, and operation of its facility.

**14. No Third-Party Beneficiaries.** This Agreement is intended solely for the benefit of the Parties. No other parties shall have any rights or remedies under this Agreement.

**15. Severability.** The provisions of this Agreement are severable. If any provision of this Agreement is held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining portions of this Agreement unless such illegality or invalidity prevents accomplishment of the goals, objectives, or purposes of the Agreement.

**16. Waiver.** Waiver of any requirement of this Agreement shall not be effective unless such waiver is in writing. Waiver of past breach, default, deficient performances or otherwise, even on multiple occasions, shall not be considered as a waiver of any rights or remedies at law or equity in any future circumstance regardless of similarity to past instances.

**17. Entire Agreement; Amendments.** This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein and supersedes any other agreements, restrictions, representations, or warranties, if any, between the parties hereto with regard to the subject matter herein. No revision in or amendment to this Agreement shall be valid unless such revision or amendment is in writing and executed by all Parties hereto.

**18. Notices.** All notices or other communications provided for in this Agreement shall be given in writing and either personally delivered or sent by U.S. First Class Mail to the address noted on the signature page below, or to such other address and to the attention of such other person or officer as either Party may designate in a notice provided in accordance with this Section.

**19. Assignment; Successors.** Neither Party shall assign or transfer any rights or delegate or subcontract any duties or obligations under this Agreement to a third party without the prior written consent of the other Party. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors or proper assigns.

**20. Governing Law; Venue.** This Agreement shall be governed in accordance with the laws of the State of Tennessee without regard to conflicts of law principles. Any disputes relating to the performance, validity, or interpretation of this Agreement shall be litigated exclusively in the courts of Knox County, Tennessee, and the parties hereby submit to the personal jurisdiction of such courts.

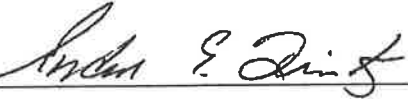
**21. Headings.** The headings and titles contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

**22. Force Majeure.** Neither Party shall be liable in damages for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its reasonable control including, but not limited to Acts of God, wars, insurrections and/or any other cause beyond the reasonable control of the Party whose performance is affected provided that it notifies the other Party as soon as practicable and uses reasonable commercial efforts to resume performance.

**23. Multiple Counterparts.** This Agreement may be executed in one or more counterparts (facsimile transmission or otherwise), and each counterpart shall be deemed an original and all of which shall constitute but one agreement.

**IN WITNESS WHEREOF,** the Parties have entered into this Agreement effective as of May 1<sup>st</sup>, 2014 (the "Effective Date").

**Morristown-Hamblen Healthcare System**

By: 

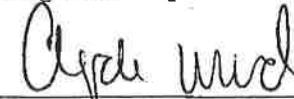
Printed Name: Gordon Lintz

Title: Chief Executive Officer

Address: Morristown-Hamblen Healthcare System

ATTN: Gordon Lintz, CEO  
908 W 4<sup>th</sup> N St.  
Morristown, TN 37814

**Hospital of Morristown Inc. d/b/a  
Lakeway Regional Hospital**

By: 

Printed Name: Clyde Wood

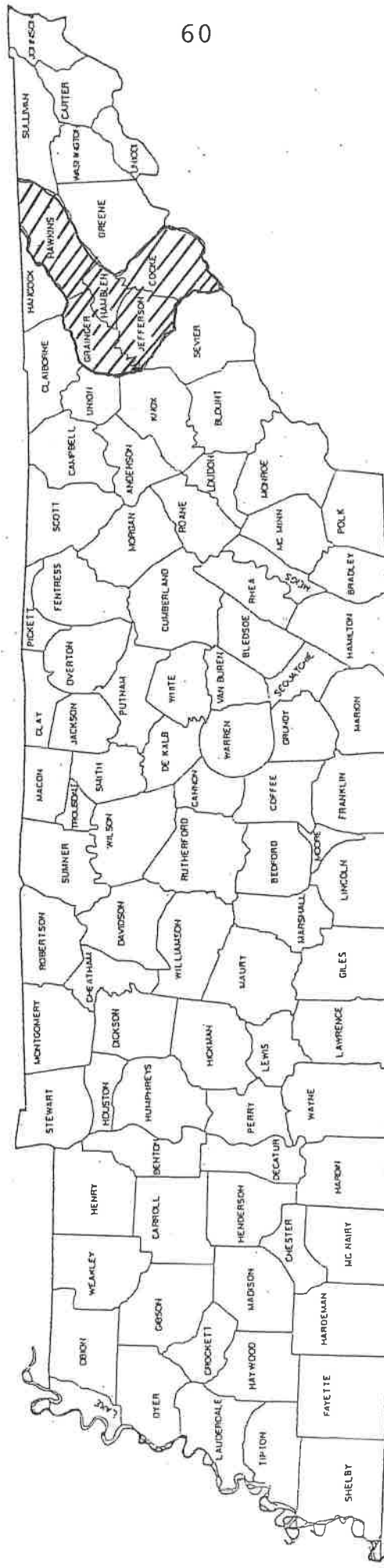
Title: Chief Executive Officer

Address: Lakeway Regional Hospital

ATTN: Clyde Wood, CEO  
726 McFarland St  
Morristown, TN 37814

# O.B. SERVICE AREA

## LAKEWAY REGIONAL HOSPITAL



# DEMOGRAPHICS OF SERVICE AREA

Variable	Hamblen	Cooke	Grainger	Hawkins	Jefferson	Service Area	State of Tenn.
Current Year (2014), Female Age 15-44	10,545	6,044	3,690	8,363	8,911	37,553	1,175,260
Projected Year (2018)*, Female Age 15-44	10,837	6,718	3,833	7,512	9,515	38,415	1,197,623
Female Age 15-44, % Change ('14-'18)	2.8%	11.2%	3.9%	-10.2%	6.8%	2.3%	1.9%
Female Age 15-44, % Total (PY)	16.5%	17.4%	16.2%	12.9%	16.7%	15.8%	17.5%
CY, Total Population	64,108	36,762	23,111	57,509	53,729	235,219	6,588,698
PY, Total Population	65,570	38,615	23,675	58,164	56,872	242,896	6,833,509
Total Pop. % Change	2.3%	5.0%	2.4%	1.1%	5.8%	3.3%	3.7%
TennCare Enrollees (Jan., 2014)	12,995	9,766	4,915	11,593	10,161	49,430	1,184,986
TennCare Enrollees as % of Total Population(CY)	20.3%	26.6%	21.3%	20.2%	18.9%	21.0%	18.0%
Median Age	40	43	42	42	41	41.25 (avg.)	38
Median Household Income ('08-'12)	\$39,316	\$29,764	\$33,185	\$36,419	\$38,800	\$36,930 (avg.)	\$44,140
Population % Below Poverty Level ('08-'12)	16.9%	26.0%	18.6%	16.4%	19.2%	17.8%	17.3%

\* The Guidelines for Growth guidelines for discontinuing OB call for a 4 year planning horizon

Sources: Population, Tn. Dept. of Health (<http://health.state.tn.us/statistics/CertNeed.shtml>); TennCare enrollment, TennCare Bureau website; Age, TACIR County Profiles website; Income and poverty level, Census Bureau QuickFacts.



May 9, 2014

*Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street  
Nashville, TN 37243*

Re: Lakeway Regional Medical Center  
CON Application to Discontinue OB Services

Dear Ms. Hill:

I am the Chief Financial Officer for Lakeway Regional Medical Center. This will verify that the costs of this project will be funded out of the cash reserves of Hospital of Morristown, Inc., d/b/a Lakeway Regional Medical Center, and that such funds are available. Please let me know if additional information is needed. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Terri Warren".

Terri Warren, CFO

Attachment C, II, Economic Feasibility, 2

BALANCE SHEET : B-77  
AT  
DECEMBER 31, 2013

ASSETS

THIS MONTH

LAST MONTH

INCR/(DECR)

Current Assets:

Cash and cash equivalents	\$ 20,582	\$ (33,638)	\$ 54,220
Patient accounts receivable	9,687,152	8,942,520	744,632
Less: Allowance for bad debts	(1,974,720)	(1,821,757)	(152,963)
Prior yr csc rpt settlement a/r	234,787	213,095	21,692
Supplies	2,103,852	2,081,077	22,775
Prepaid income taxes	00	00	00
Prepaid expenses	313,157	309,064	4,093
Other current assets	(1,428,618)	(1,429,071)	453
Total Current Assets	8,956,192	8,261,290	694,902

Property & Equipment, at cost:

Land and improvements	1,986,663	1,986,663	00
Buildings and improvements	30,419,380	30,417,110	2,270
Equipment and fixtures	20,897,892	20,769,156	128,736
Leasehold improvements	2,500	00	2,500
Construction in progress	136,118	105,396	30,722
	53,442,553	53,278,325	164,228

Less accumulated depreciation and amortization

	(35,548,893)	(35,347,194)	(201,699)
--	--------------	--------------	-----------

Net Property and Equipment

	17,893,660	17,931,131	(37,471)
--	------------	------------	----------

Long-term Asset Held-Disposal

	00	00	00
--	----	----	----

Other Assets:

Prepaid rent	00	00	00
Notes receivable	00	00	00
Deposits	1,000	1,000	00
Other tangible assets	00	00	00
Investment in subs	00	00	00
Goodwill	00	00	00
Unamortized loan costs	00	00	00
Physician recruitment costs	422,654	431,390	(8,736)
Deferred MIS charges	2,034,039	1,587,292	446,747
Other deferred charges	16,104	17,628	(1,524)
Total Other Assets	2,473,797	2,037,310	436,487

Total Assets

	\$ 29,323,649	\$ 28,229,731	\$ 1,093,918
--	---------------	---------------	--------------

BALANCE SHEET : B-77  
AT  
DECEMBER 31, 2013

## LIABILITIES

THIS MONTH

LAST MONTH

INCR/(DECR)

Current liabilities:			
Current maturities of long-term debt	25,008	25,008	00
Accounts payable	3,329,153	1,288,009	2,041,144
Accrued liabilities:			
Employee compensation	1,274,801	958,505	316,296
Accrued interest	00	00	00
Other accrued liabilities	103,929	250,805	(146,876)
Income taxes payable	00	00	00

## Total Current Liabilities

4,732,891

2,522,327

2,210,564

## Long-term Debt

16,672

16,756

(2,084)

## Deferred Income Taxes

00

00

00

## Deferred Credits and Other Long-term Liabilities

00

00

00

## Intercompany Accounts

33,415,411

34,997,102

(1,581,691)

## Minority Interest

00

00

00

## Total Liabilities

\$ 38,164,974

\$ 37,538,185

\$ 626,789

## Stockholders' Equity

Common stock	1,000	1,000	00
Additional paid-in capital	(12,672,935)	(12,672,935)	00
Retained earnings-prior year	8,724,918	8,724,918	00
Retained earnings-curr year	(4,894,308)	(5,361,437)	467,129
Treasury stock	00	00	00
Other	00	00	00

## Total Stockholders' Equity

(8,841,325)

(9,308,454)

467,129

## Total Liabilities and Equity

\$ 29,323,649

\$ 28,229,731

\$ 1,093,918



L N K E W A Y R W M O R I S T O W N T N  
INCOME STATEMENT D-57  
FOR 12TH MONTH  
DECEMBER 31, 2013

0 1 1 6

DATE: 4/28/14  
TIME: 13:49:00

MONTH			YEAR-TO-DATE		
ACTUAL	BUDGET	PR. YR.	ACTUAL	BUDGET	PR. YR.
TOTAL PATIENT DAYS BY PAYOR					
1,021	1,276	1,110	11,107	14,760	13,814
32.9	41.2	35.8	30.4	40.4	37.9
AVERAGE DAILY CENSUS					
1,884,565	2,354,362	1,954,019	21,240,829	26,462,466	23,381,310
11,971,155	10,315,684	8,650,097	102,618,374	117,813,374	106,779,316
18,297,614	16,648,422	16,735,950	214,092,337	216,115,121	200,379,282
32,153,334	31,318,468	27,360,066	337,951,965	360,390,961	330,539,908
Total Patient Revenue					
6,845,280	6,510,129	5,309,026	59,022,287	73,591,001	65,225,444
7,227,701	8,686,066	7,430,163	94,685,799	100,410,450	117,960,372
13,846,311	11,978,236	10,811,861	142,489,095	138,459,551	128,262,217
18,416	00	00	102,290	00	(1,098)
00	00	969	00	00	00
27,937,708	27,174,431	23,532,019	296,238,708	312,501,002	285,466,935
Deductions from Revenue:					
4,215,626	4,144,037	3,648,047	41,653,257	47,889,959	45,072,973
447,395	620,310	773,042	4,789,959	7,265,337	7,077,463
3,768,231	3,515,727	3,075,005	36,563,298	40,624,632	37,925,510
11,395	13,192	10,099	166,454	180,630	154,606
3,779,626	3,528,919	3,085,104	37,023,752	40,785,252	38,150,116
Net Revenue					
1,152,315	1,177,034	1,211,174	12,357,451	13,561,479	12,623,330
(27,399)	276,068	(60,405)	2,519,226	3,332,109	2,664,028
29,297	7,272	32,660	186,828	87,264	246,222
870,234	605,416	651,723	7,204,900	7,204,900	6,580,369
131,861	117,459	115,483	1,503,191	1,409,507	1,388,172
260,398	266,748	293,306	3,387,580	3,318,147	3,570,392
1,350	20,000	00	2,985	80,000	207
133,388	83,039	79,975	1,311,626	1,009,425	1,031,796
2,746	6,095	19,743	112,828	132,261	145,232
62,298	52,230	59,577	635,577	626,755	630,333
47,037	48,986	41,229	588,107	591,870	541,067
4,160	320,041	18,299	3,453,505	3,640,490	3,541,245
00	00	00	(403,466)	(399,500)	07
00	00	00	00	00	00
2,667,685	2,980,388	2,462,764	32,073,615	34,794,707	32,962,399
1,111,941	548,631	622,340	4,956,137	5,990,545	5,187,717
62,822	102,146	65,387	1,017,009	1,225,761	943,104
1,049,119	446,385	556,953	3,938,128	4,764,794	4,244,613
238,754	261,107	216,725	2,747,137	3,189,861	2,575,697
810,365	185,278	340,228	1,191,991	1,574,913	1,668,916
412,076	357,577	367,941	4,719,151	4,290,920	4,398,085
00	00	00	00	00	00
00	00	00	00	00	00
398,289	(172,289)	(47,713)	(3,527,160)	(2,716,007)	(2,729,169)
(68,836)	148,356	67,096	1,367,148	1,186,848	1,549,312
629	288	281	7,270	7,596	6,967
226	27	26	2,607	3,443	3,264
18	4,377	4,054	43,501	52,690	51,298
3,213	1,348	1,383	14,211	15,863	15,501
1,191					
44,686	47,603	45,158	539,811	562,105	535,919
389	125	488	2,847	11,502	539,312
45,075	47,728	45,646	533,658	563,807	539,312
254,66	269,65	257,89	256,20	270,67	258,91

TOTAL PATIENT DAYS BY PAYOR  
AVERAGE DAILY CENSUS  
Patient Revenue:  
Inpatient Routine  
Inpatient Ancillary  
Outpatient  
Total Patient Revenue  
Deductions from Revenue:  
I/P - W/M Contractual  
O/P - W/M Contractual  
Other Contractual Adj.  
Prior Year Adjustments  
Courtesy Discounts  
Total Deductions from Revenue  
Net P. Rev Before Bad Dbt  
Provision for Bad Dbt  
Net P. Rev After Bad Dbt  
Other Revenue  
Net Revenue  
Operating Expenses:  
Salaries & Wages  
Benefits  
Contract Labor  
Supplies  
Medical Spec Fees  
Purchased Services  
Physician Recruiting  
Repairs & Maintenance  
Marketing  
Utilities  
Other Operating Exp  
Prop Taxes & Ins  
HIT/ICH Incentives  
Equity & Barn - Union Subs  
Total Operating Expenses  
Operating Margin  
Rent  
B.B.I.T.D.A.  
Depreciation and Amortization  
E.B.I.T.  
Impairment - long lived assets  
Loss on early ext of debt  
Minority Interest  
Pre-Tax Profit  
Corp Mgmt Fees  
TOTAL SURGEONS  
TOTAL DENTISTS  
TOTAL O/P REES INCL ALL VISITS  
TOTAL B.B. VISITS  
TOTAL CLINIC AND REC VISITS  
TOTAL HOME HEALTH VISITS  
Total Paid Hours  
Total Contract Hours  
Total Paid & Contract Hours  
TOTAL PAID & CONTRACT FTE's

## Lakeway Regional Hospital Health Care Contracts

Schumacher Group	Emergency Medicine
Apogee	Hospitalist
Lakeway Anesthesia	Anesthesia
East TN Childrens Hospital	Patient Transfer
MHHS	Patient Transfer
AEL- Memphis Pathology Laboratories	Pathology
TN Donor Services	Organ Procurement or Harvesting
Vista Radiology	Radiology-Imaging

# SUPPLEMENTAL

## #1

**May 23, 2014**

**2:46 pm**

**SUPPLEMENTAL RESPONSES**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**LAKEWAY REGIONAL HOSPITAL**

**Discontinuance of Inpatient Obstetrical Services**

**Project No. CN1405-013**

**Hamblen County, Tennessee**

**May 23, 2014**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

**1. Section A, Item 3 (Owner)**

**The ownership relationship to Community Health Systems, Inc. (CHS) is noted. Please discuss the proposed organizational and business relationships among these entities in such a manner that their affiliation with the project can be understood. An organization chart will be helpful.**

Community Health Systems, Inc. is a publicly traded company. Through its various affiliated entities CHS owns, operates or leases 20 hospitals in Tennessee. Each CHS hospital is operationally independent, with certain administrative support services supplied by CHS and its affiliates. An organizational chart for CHS and its Tennessee affiliates is attached following this response. This chart does not reflect the ownership of 8 hospital formerly owned by Health Management Associates (HMA), which CHS recently acquired. An organizational chart including those hospitals is not available.

**Please provide a list of hospitals and other licensed providers in Tennessee that are affiliated with the applicant through ownership by CHS or its subsidiaries. Have OB services been discontinued at any hospital owned by the parent company? How many of the hospitals owned by the parent company now offer OB services? Have OB services been discontinued in the past by the applicant's parent company but restarted or added later as availability of medical/nursing staff and financial conditions improved?**

A list of all CHS-affiliated licensed facilities located in Tennessee (including the former HMA facilities) is attached following this response. The following CHS-affiliated Tennessee hospitals offer inpatient OB services:

Physicians Regional M. C. (formerly Tennova/St. Mary's Main Campus) – Knoxville  
Turkey Creek Medical Center – Knoxville  
Newport Medical Center – Newport  
Skyridge Medical Center – Cleveland  
Gateway Medical Center – Clarksville  
Dyersburg Regional Medical Center – Dyersburg  
Regional Medical Center of Jackson – Jackson  
Volunteer Medical Center – Martin  
McKenzie Regional Medical Center – McKenzie  
University Medical Center – Lebanon  
McNairy Regional Medical Center – Selmer  
Harton Medical Center – Tullahoma

The following CHS hospitals have formally discontinued OB services:

LaFollette Medical Center in 1984 (84-CN-743)  
Jefferson Memorial Hospital in 2008 (CN0401-003A)  
Jamestown Regional Medical Center in 2010 (CN1004-017A)

To the best of the applicant's knowledge, none of the CHS-affiliated Tennessee hospitals have ever discontinued OB services and subsequently reinstated them.

May 23, 2014

2:46 pm

## LICENSED TENNESSEE FACILITIES AFFILIATED WITH COMMUNITY HEALTH SYSTEMS

Operating Name	Type of Facility
Dyersburg Regional Medical Center	Hospital
Gateway Medical Center	Hospital
Harton Regional Medical Center	Hospital
Haywood Park Community Hospital	Hospital
Henderson County Community Hospital	Hospital
Heritage Medical Center	Hospital
Jamestown Regional Medical Center	Hospital
Lakeway Regional Hospital	Hospital
McKenzie Regional Hospital	Hospital
McNairy Regional Hospital	Hospital
Regional Hospital of Jackson	Hospital
SkyRidge Medical Center	Hospital
Tennova Healthcare – Jefferson Memorial Hospital	Hospital
Tennova Healthcare – LaFollette Medical Center	Hospital
Tennova Healthcare – Newport Medical Center	Hospital
Tennova Healthcare – North Knoxville Medical Center	Hospital
Tennova Healthcare – Physicians Regional Medical Center	Hospital
Tennova Healthcare – Turkey Creek Medical Center	Hospital
University Medical Center; University Medical Center – McFarland Specialty Hospital	Hospital
Volunteer Community Hospital	Hospital
Clarksville Endoscopy Center	ASC
Riverside Surgery Center	ASC

**SUPPLEMENTAL #1****May 23, 2014****2:46 pm**

Operating Name	Type of Facility
St. Mary's ASC	ASC
Tennova Surgery Center	ASC
Lebanon Surgical Center	ASC
Family Home Care and Hospice, Cleveland	HHA, Hospice
Gateway Home Health and Hospice	HHA, Hospice
Heritage Home Health	HHA
Regional Home Care, Dyersburg	HHA
Regional Home Care, Jackson; Regional Home Care, Selmer; Regional Home Care, Brownsville; Regional Home Care, Martin	HHA
Regional Home Care, Lexington; Regional Home Care, McKenzie	HHA
Tennova Homcare, DME & Hospice	HHA, Hospice, HME Supplier
Tennova LaFollette Health and Rehab Center	Nursing Home
Tennova Newport Convalescent Center	Nursing Home
Clarksville Imaging Center	ODC

May 23, 2014

2:46 pm

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## COMMUNITY HEALTH SYSTEMS, INC. TENNESSEE (Page 1 of 2)

CBS HOLDINGS CORP.

HALMARK HOLDINGS CORP.

Polk Medical Services, Inc. (TN)

No. 96

Cleveland/Framlin ambulance service contract co.

East Tennessee Health Systems, Inc. (TN)

No. 3

Scott County Hospital

d/b/a: Scott County Hospital

Scott County Medical Clinic, Inc. (TN)

No. 25

Scott County physician clinic

d/b/a: Scott County Imaging Center (TN); McCleary Doctor's Medical Clinic KY

Sparta Hospital Corporation (TN)

No. 67

White County Community Hospital

d/b/a: White County Community Hospital

White County Physician Services, Inc.

No. 93

White County physician clinic

d/b/a: White County Medical Associates

White County Internal Medicine

White County Women's Healthcare

Lakeway Hospital Corporation (TN)

No. 33

syndicated holding company

Hospital of Morristown, Inc. (TN)

No. 20

Lakeway Regional Hospital

d/b/a: Lakeway Regional Hospital

Morristown Professional Building

Morristown Clinic Corp. (TN)

No. 81

Lakeway physician corp.

d/b/a: East Tennessee Ob-Gyn

Lakeway Clinic Corp. (TN)

No. 83

Lakeway physician clinic

d/b/a: Lakeway Primary Care Clinic

Women's Imaging Center

Morristown Professional Centers, Inc. (TN)

No. 79

real estate holding company

Cleveland Hospital Corporation (TN)

No. 72

syndicated holding company

National Healthcare of Cleveland, Inc. (DE)

No. 50

Cleveland Community Hospital

d/b/a: Cleveland Community Hospital

Family Home Care, Inc. (TN)

No. 102

stock purchased 8/14/96; no employees

Cleveland PHO, Inc. (TN)

No. 124

Cleveland physician hospital organization

Cleveland Medical Clinic, Inc. (TN)

No. 70

Cleveland physician clinic

d/b/a: Physicians Plus

Westside Family Physicians

Cleveland Medical Group

Westside Surgical Associates

Lakeway Primary Care, Inc. (TN)

No. 121

Lakeway physician clinic

East Tennessee Clinic Corp. (TN)

No. 87

Lakeway physician corp.

Bean Station Medical Center, LLC (TN)

No. 84

50% JV with Cherokee Health Systems, Inc.  
d/b/a: Family Health Center in Bean Station, TN

Senior Circle Association (TN)

No. 138

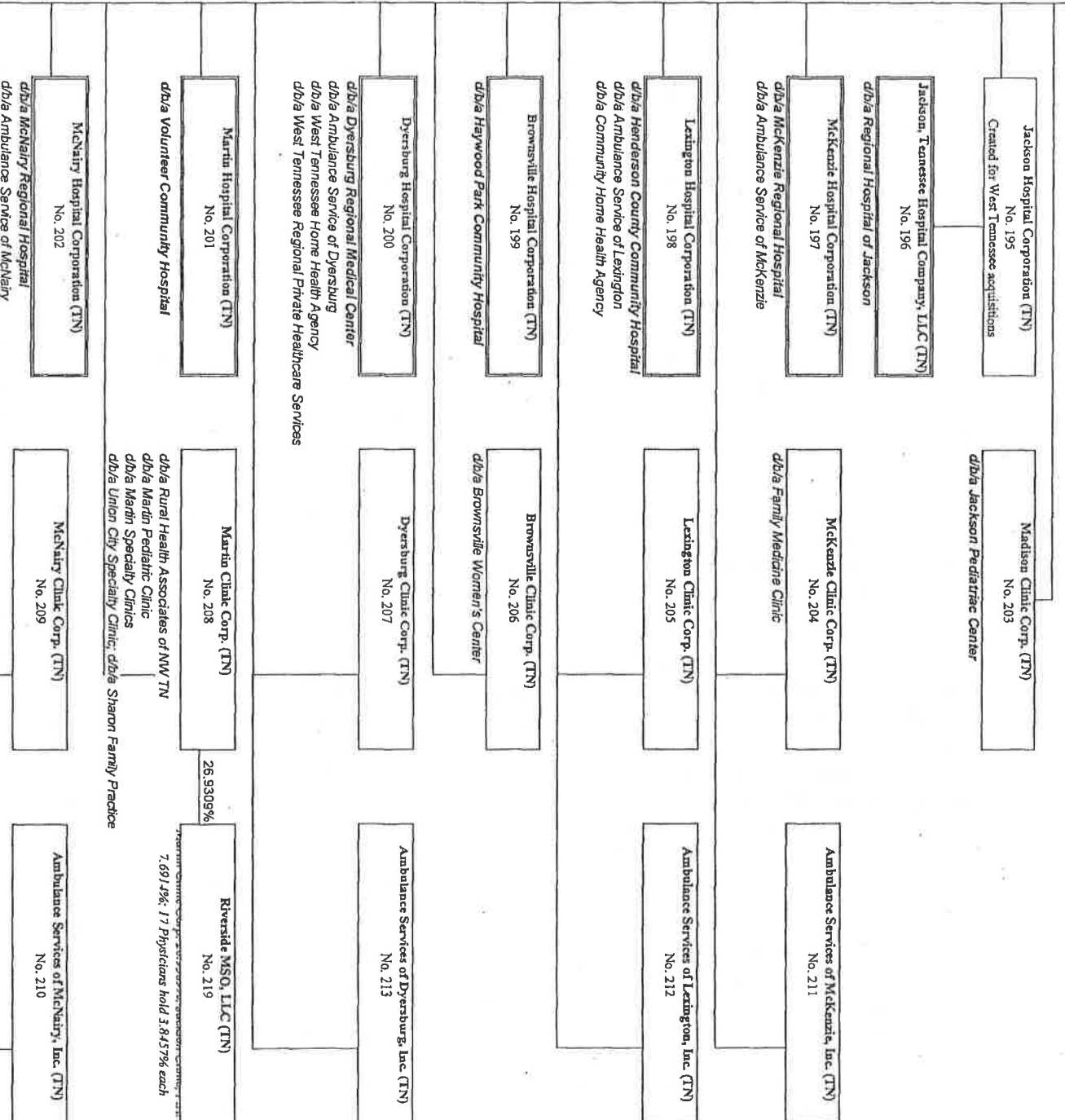
not-for-profit Service Organization for Seniors



May 23, 2014

2:46 pm

CHS HOLDINGS CORP.



**2. Section B, Project Description, Items II.B and II.C.**

**Your responses are noted. Please discuss plans to place the additional 16 beds in use on the hospital's medical/surgical service. In your discussion, please identify the number of Med/Surg staffed beds in Year 1 and Year 2 (currently 55 of 70 licensed). According to the acute care bed need data maintained by the Department of Health, Hamblen County had a licensed bed surplus of 141 beds in 2012. If there are no plans to use the 16 vacated OB beds anytime in the foreseeable future, was decreasing the applicant's licensed bed complement considered as a part of the proposal? Please clarify.**

Given the current layout and structure of our Med/Surg floor, the vast majority of the patient rooms at Lakeway Regional are semi-private rooms. Of the total licensed med/surg bed count of 70, there are only 5 rooms that are classified as private rooms. With the use of OB beds as Med/Surg overflow it will allow for more private rooms, providing more patient choice. Maintaining the existing patient bed count will allow Lakeway Regional to be prepared for any future growth needs in the med/surg units.

**Given the human resources, physician recruitment, and marketing resources available to CHS, Inc., please discuss in detail actions taken to recruit and retain delivering physicians, pediatricians and OB nurses (number of recruited, retained and leaving by year) to sustain and grow the obstetrical program over the past two years.**

There are currently 6 OB providers practicing in Morristown. 4 of these providers are employed by MHHS and cannot have staff privileges at Lakeway Regional. The other 2 OB providers are independent practitioners in the community. Of these 2 OB providers, one is on staff at both Lakeway Regional and MHHS, and the other has privileges only at Lakeway Regional. In 2012, based on JAR data, there were 1,124 deliveries in Morristown with the 2 hospitals combined. If all OB providers were equally active, this equates to only 16 deliveries per month per provider. Based on the volume of deliveries and demographics it is very difficult for any additional delivering physicians to sustain a practice. This makes recruitment of additional delivering physicians very difficult and impractical. Furthermore, there are roughly 9 providers in the community that cover nursery call, with the majority having active staff at MHHS. Again, the volume and the existing physician coverage makes recruitment and retention of pediatricians impractical as well.

Lakeway Regional recruited and contracted with an OB/GYN in 2011, who left after that agreement ended in July of 2012. Based on overall community coverage and available providers in the market, additional recruitment efforts were not feasible as available patient load was low and was already covered.

**3. Section B, Project Description, Item IV (Floor Plan)**

**Given the plans to redistribute the 16 OB beds to Med/Surg service, floor plans for the Med/Surg service patient unit(s) identifying their location in the hospital may be helpful. Please include floor plans for Med/Surg that reflect the redistribution of the 16 beds.**

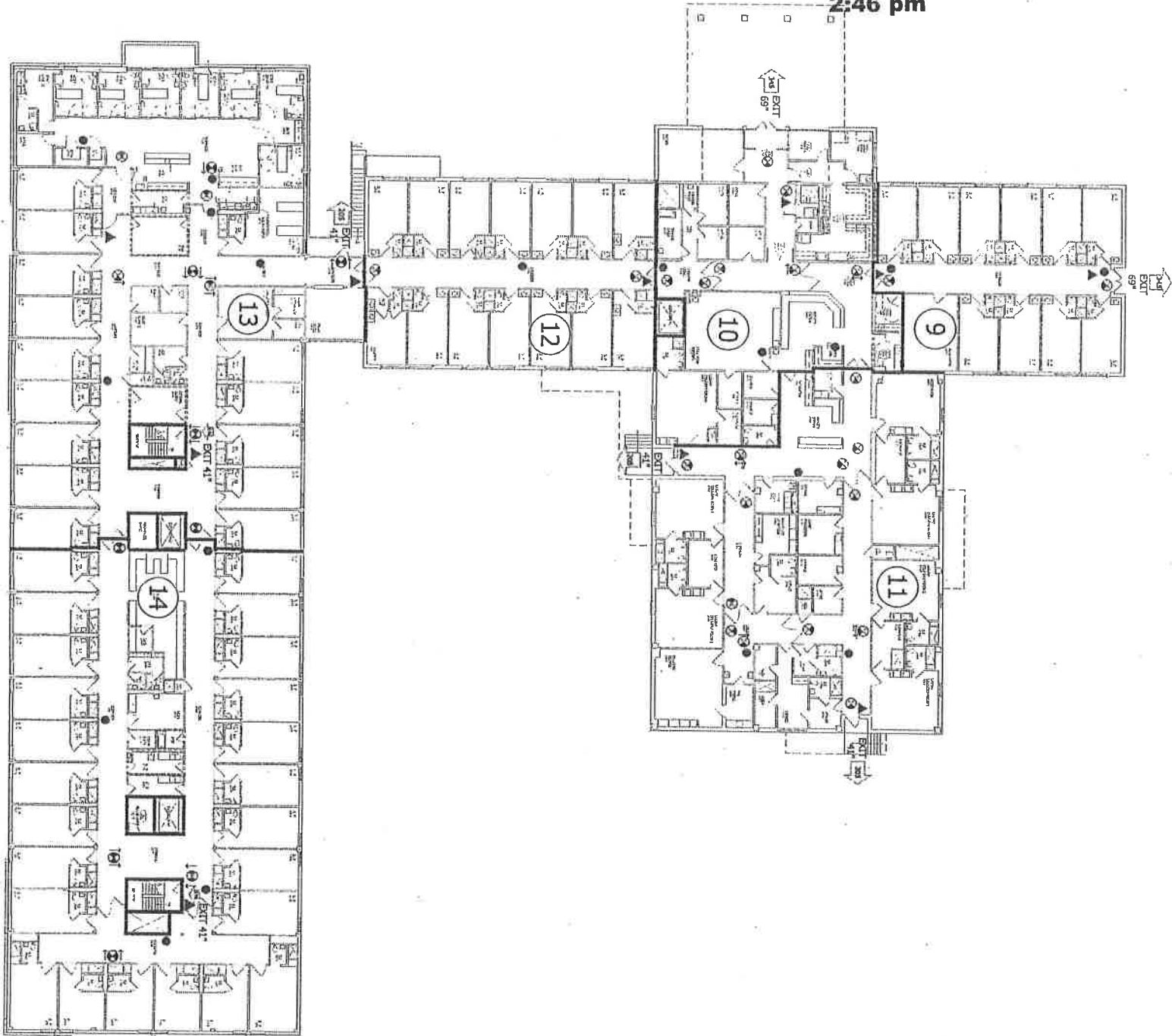
The 16 beds will remain in the unit which is now the OB unit. No renovation or construction is necessary to make this a med/surg unit. All med./surg beds will remain where they are now located in the facility.

A floor plan for the current OB unit was provided as Attachment B, IV to the original application. If and when this is used as a med/surg unit, the floor plan will remain the same. Attached following this response is a floor plan for the entire hospital. We have made every effort to make this as legible as possible. Since no construction or renovation is being done, the applicant felt there was no need to have new architectural drawings prepared. The floor plan from which the attached floor plan is taken is too large to submit (approximately 16" x 30").

A second floor plan which just shows the current me/surg unit is also attached. This one is obviously not legible, but it has the bed numbers written in for the reviewer's use.

May 23, 2014

2:46 pm



May 23, 2014

2:46 pm

205 — 41<sup>n</sup>

128 - EXT 41"

④ EXIT 41"

(Tsolatin)  
Room

## END FLOOR LIFE SAFETY PLAN

16' 32'

**4. Section C, Need, Item 1 (State Health Plan)**

**State Health Plan, Access - given the hospital's 76.3% TennCare payor mix for obstetric services (page 29), please discuss the barriers to access to obstetric services facing the TennCare population in the 5-county primary service area, and how Lakeway Regional Hospital plans to assist this population with the transition if this application is approved. In your response, please identify all TennCare plans other hospitals with OB services in Hamblen and Cocke Counties have in place.**

The applicant is not aware of any barriers to access to OB services within the 5 county service area faced by TennCare patients as compared to any other payor or income group. The two hospital which would offer OB services if Lakeway Regional discontinues its service – Morristown Hamblen Healthcare System (MHHS) and Newport Medical Center (f/k/a Tennova Newport) -- both participate in the TennCare program. Lakeway Regional will assist in transitioning these patients in the same manner it will all of its inpatient OB patient population. It will provide notification to providers, EMS and the general public. And of course it will comply with federal law by providing any necessary treatment, stabilization and transfer of OB patients who present in its emergency room following discontinuation of OB services.

Newport Medical Center participates in the following TennCare plans: BlueCare, TennCare Select, and UnitedHealthcare Community Plan.

The applicant does not have access to which TennCare MCOs MHHS contracts with, but according to its 2012 Joint Annual Report, MHHS treated patients enrolled in the following TennCare MCOs: UnitedHealthcare Community Plan, AmeriGroup, BlueCare, and TennCare Select.

**State Health Plan, Health Care Workforce – the actions taken to retain OB nursing staff are noted. The applicant mentions obstacles to adequate physician coverage for both pediatricians and obstetricians (pages 7 and 29). Given the impact of absorbing the OB service volumes of Lakeway and the importance to the 5-county service area, did the applicant discuss options (such as shared active staff privileges at both hospitals) with Morristown-Hamblen Health System other than the transfer agreement relationship? Please discuss.**

Lakeway has 2 active medical staff OB providers. Dr. Collinson is on active staff at both Lakeway and MHHS. Dr. Zain is only on active staff at LRH. Dr. Collinson has the ability to shift volume as needed based on his medical staff privileges at both facilities. Dr. Zain has a small OB practice delivering 64 babies in 2011, 46 in 2012 and 39 in 2013. Given low volume with Dr. Zain and the other 5 OB's in the community accepting new patients, along with willingness of Newport Medical Center and MHHS to accept volume, shifting patients to other providers should not be an issue.

Letters from both MHHS and Newport Medical Center indicating those providers' ability and willingness to absorb OB volume from Lakeway Regional are attached following this response.

**May 23, 2014**

**2:46 pm**



May 23, 2014

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street  
Nashville, TN 37243

Re: Lakeway Regional Hospital  
CN1405-013

Dear Ms. Hill:

On behalf of Tennova Newport Medical Center I am writing to express our support for the above referenced CON for Lakeway Regional Hospital. We are a provider of obstetric services in the Lakeway Region and have the capacity and willingness to accept OB patients from our combined service areas.

We, and our delivering physicians, also participate in the TennCare program and all of the managed Medicaid plans currently offered. Our delivering physicians are also currently accepting new TennCare OB patients.

If I can provide any additional information, or if you have any additional questions, please feel free to contact me at the telephone number below.

Sincerely,

A handwritten signature in black ink, appearing to read "Spencer Thomas", written over a horizontal line.

Spencer Thomas  
Chief Executive Officer



# MORRISTOWN-HAMBLEN HEALTHCARE SYSTEM

Covenant  
HEALTH

May 23, 2014

2:46 pm

908 West Fourth  
North St

PO Box 1178

Morristown, TN 37816

(423) 586-4231

www.mhhs1.org

May 22, 2014

Ms. Melanie M. Hill, Executive Director  
State of Tennessee  
Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street  
Nashville, TN 37243

RE: Lakeway Regional Hospital Discontinuance of Obstetrical Services  
CN 1405-013

Dear Ms. Hill,

As President and Chief Administrative Officer of Morristown-Hamblen Healthcare System, I am writing in response to a recent request of Lakeway Regional Hospital's leadership. I can affirm that Morristown-Hamblen Healthcare System currently offers obstetrical services to the community. Our hospital has capacity to absorb any additional volume created by the Lakeway Regional Hospital's discontinuance of obstetrics.

If you have any further questions, please contact me at 423-492-5009.

Sincerely,

Gordon E. Lintz  
President and CAO

CC: Mike Richardson, Vice President, Strategic Planning and Development

Emergency &  
Critical Care Center  
Heart, Lung & Vascular Center  
Joint & Spine Center  
Laboratory Services Center  
Morristown Regional  
Cancer Center  
Morristown Regional  
Diagnostic Center  
Prenatal Family Care  
Senior Services  
Sleep Disorder Center  
Surgical Services Center  
Wellness of Women  
Women's & Children's Center  
Women's Health Specialists



**5. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services (A. Need and B. Accessibility))**

**Project Specific Criteria – A. Need, Item 4**

**Please identify the estimated number below the federal poverty level and include in the discussion.**

As reflected on the Demographics Table attached as Attachment C, I, Need, 4 to the original application, 17.8% of the service area population is below federal poverty level. Assuming this same percentage applies to the female 15-44 year age group, applying that percentage to the 203 patients potentially affected in Year 1 results in the number of patients under the poverty level who would potentially be affected being 36.

**Project Specific Criteria, A. Accessibility, Items 1, 3 and 5**

**Accessibility, Item 1 - The applicant's CY2012 JAR indicates that residents of Cocke and Jefferson Counties accounted for approximately 18% of total discharges. As a result, please include the distances to the Tennova – Hospital in Newport.**

According to Google Maps, the driving distance and time to Newport Medical Center (formerly Tennova Newport) from Lakeway Regional is 21.9 miles and 35 minutes.

**Accessibility, Item 3 – Please confirm Tennova-Newport Medical centers participation as an alternate provider of OB services. Additionally, has the applicant also notified and gained support of hospital medical staff, community leadership, emergency conveyance services, and the general public?**

Letters from both MHHS and Newport Medical Center indicating those providers' ability and willingness to absorb OB volume from Lakeway Regional are attached following the response to Question 4.

Over the last several months, as provider coverage has become a challenge, there have been multiple communications with the medical staff, Board of Trustees and community leaders about the long term viability of the Lakeway OB program. With volume declines and scarcity of resources, coupled with the concentration of resources at MHHS, it was believed consolidation of services with MHHS and Newport Medical Center was the best course to take. Even without an OB department, Lakeway still plans to provide any needed emergency services and transfers to an appropriate facility.

**Accessibility, Item 4 – hospital IP charges can be compared for both Vaginal Deliveries (DRG540) and Cesarean Deliveries (DRG 560) using information from the 2012 Tennessee Hospital Charge Reports. This report can be found on the Department of Health/Health Statistics link to the toolbox on the HSDA website. Please review the information provided in the report # of procedures by severity and average/median charge) and include a discussion of the findings in the response.**

As noted, the reported gross charges of Lakeway Regional for both vaginal and caesarian deliveries were the highest of the 3 hospitals in the service area providing OB services. The charges reported for Lakeway do not equate to or determine actual reimbursement received.

As to severity, none of the 3 relevant hospitals reported any deliveries in the "Severe" category. The breakdown by percentage of deliveries falling into each of the "Minor," "Moderate," and "Major" severity categories are as follows:

<u>Hospital</u>	<u>Type Delivery</u>	<u>% Minor</u>	<u>% Moderate</u>	<u>% Major</u>
Lakeway	Vaginal	67%	29%	4%
Lakeway	Caesarian	79%	21%	N/A
MHHS	Vaginal	69%	29%	2%
MHHS	Caesarian	75%	25%	N/A
Newport	Vaginal	54%	39%	7%
Newport	Caesarian	83%	17%	N/A

All 3 hospitals had roughly the same percentage of both vaginal and Caesarian deliveries falling into the "Minor" "Moderate" and "Major" severity categories, although Newport Medical Center had a slightly higher percentage of cases ranging towards the higher severity categories.

**Accessibility, Item 5 - A copy of the May 1, 2014 transfer agreement with Morristown-Hamblen Health Care System is noted in the application. Review of the MHCCS 2012 JAR revealed a Net Operating Income (NOI) loss of approximately \$1.25 million during the reporting period. Tennova -Newport Medical Center appears to have realized a favorable NOI of \$8.2 million in 2012. Also of note, the applicant reports that the OB service has an estimated 76% TennCare payor mix. With these factors in mind, please confirm the 2 hospitals' interest and ability in absorbing the applicant's additional OB volumes, including accepting TennCare patients and others without insurance based on their inability to pay. In your response, please provide written documentation from representatives of the 2 hospitals affirming same.**

Letters from both MHHS and Newport Medical Center indicating those providers' ability and willingness to absorb OB volume from Lakeway Regional are attached following the response to Question 4.

The letter from Newport Medical Center also states its willingness to accept TennCare patients. While the letter from MHHS does not specifically address TennCare, that hospital apparently participates in all 3 TennCare plans. And virtually all mothers who present for OB delivery will either have private insurance or will be Medicaid/TennCare eligible.

**6. Section C, Need, Item 2 and Section C, Orderly Development, Item 2**

**What services are being developed or in the process of being implemented over the next three years that might help the hospital make a more effective use of the space dedicated to the OB service?**

No new services are planned at this time. Lakeway expects a modest increase in general medical and surgical patient volume over the next 3 years. The hospital has a busy surgical services department and when IP surgeries occur or there is a need to place a surgical patient in observation, it is a significant patient satisfier if the hospital can offer them a private room. Given space constraints on our current med/surg unit, utilization of the OB space will allow for more private rooms.

**A) Please describe hospital management's discussions with local business and medical community leadership and elected public officials regarding this decision. In your response, please provide letters of support from community leaders and members of the medical staff for the project. What are the expectations of these parties, if any, concerning the applicant's leadership and role in addressing the health care needs of the maternal-fetal population located in the primary service area?**

Over the last several months, as provider coverage has become a challenge, there have been multiple communications with the medical staff, Board of Trustees and community leaders about the long term viability of our OB program. With volume declines and scarcity of resources, coupled with the concentration of resources at MHHS, it was believed consolidation of OB services with MHHS and Newport Medical Center was the best course to take. Even without an OB department, Lakeway still plans to provide any needed emergency services and transfers to the appropriate facility.

**B) Please provide descriptions of the hospital's plans to coordinate the referral of potential OB patients to other facilities. Please also discuss the plans of active members of the applicant's medical staff to refer to the medical staffs of other hospitals that have the capacity to absorb the additional volumes from the applicant's discontinuance of its OB service.**

Lakeway has 2 active medical staff OB providers. Dr. Collinson is on active staff at both Lakeway and MHHS. Dr. Zain is only on active staff at Lakeway Regional. Dr. Collinson has the ability to shift volume as needed based on his medical staff privileges at both facilities. Dr. Zain has a small OB practice delivering 64 babies in 2011, 46 in 2012 and 39 in 2013. Given low volume with Dr. Zain and the other 5 OB's in the community accepting new patients, along with willingness of Newport Medical Center and MHHS to accept volume, shifting patients to other providers should not be an issue.

**7. Section C, Need, Item (4.B.)**

**Please identify the MUA status of each county in the service area.**

<u>County</u>	<u>MUA?</u>	<u>Score*</u>	<u>Year Designated</u>
Hamblen	Yes	61.30	1994
Cocke	Yes	37.80	1978
Grainger	Yes	59.70	1978
Hawkins	Yes	53.90	1978
Jefferson	Yes	59.90	1984

\*The higher the score, the lower the severity of the under-service.

Source: Health Resources and Services Administration website:  
<http://muafind.hrsa.gov/index.aspx>

Please complete the following table providing the total eligible female population and the total number of births to female residents of the 5-county service area during the most recent year that birth data is available:

Year	Female Population (age 15-44)	Births to female residents Ages 15-44
2010	42,033	2,458
2011	41,463	2,485
2012	41,602	2,511
2013 (if known)	41,780	Not Available
% Change	(0.6%)	2.1% ('10-'12)

Sources: Population, Division of Health Statistics website,  
<http://health.state.tn.us/statistics/CertNeed.shtml>; Births, Division of Health Statistics

**8. Section C, Need, Item 5**

Please provide the following information for hospitals in the service area with OB programs:

Variable	Lakeway	MHCC	Newport Med. Ctr.
Total Licensed Beds	135	167	74
OB Beds	16	22	4
OB ADC 2012	1.9	4.9	1.1
Deliveries- 2012	298	826	208
Deliveries- 2011	327	801	258
Deliveries-2010	271	836	207
% Change ('10-'12)	10%	(1.2%)	0.5%
OB Admits -2012	298	826	208

**9. Section C, Need, Item 6**

Please provide the hospital's following utilization of its licensed beds by service as indicated in the following table:

Bed Type	2011	2012	2013	% change '11-'13	2014 estimated	Year 1	Year 2
ICU/CCU							
Beds	7	7	7	0	7	7	7
Admissions	424	410	404	-4.7%	404	404	404
%Occupancy	65.2	61.8	61.6	-4.7%	61.6	61.6	61.6
Medical/Surgical							
Beds	70	70	70	0	70	86	86
Admissions	2388	2228	1753	-26.6%	1696	1835	1878
ALOS	4.5	4.1	3.8	-15.5%	3.8	3.8	3.8

<b>%Occupancy</b>	<b>42.1</b>	<b>35.4</b>	<b>26.1</b>	<b>-38%</b>	<b>24.8</b>	<b>22.2</b>	<b>22.7</b>
<b>Obstetrical</b>							
Beds	16	16	16	0	16	0	0
Admissions	327	298	246	-24.8%	150	0	0
ALOS	2.3	2.1	2.1	-8.7%	2.1	0	0
<b>%Occupancy</b>	<b>12.9</b>	<b>12.6</b>	<b>10.2</b>	<b>-21%<sup>8</sup></b>	<b>7.2</b>	<b>0</b>	<b>0</b>
<b>Rehabilitation</b>							
Beds	27	27	27	0	27	27	27
Admissions	225	174	148	-34.2%	120	150	170
<b>%Occupancy</b>	<b>26.9</b>	<b>24.5</b>	<b>20.8</b>	<b>-22.7%</b>	<b>17.0</b>	<b>15.2</b>	<b>17.2</b>
<b>Swing Beds</b>							
Beds	15	15	15	0	15	15	15
Admissions	114	105	56	-50.9%	30	30	30
<b>%Occupancy</b>	<b>15.5</b>	<b>14.1</b>	<b>6.5</b>	<b>-58%</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
<b>TOTAL</b>							
Beds	135	135	135	0	135	135	135
Admissions	3478	3264	2607	-25%	2400	2419	2467
ALOS	4.5	4.2	4.3	-4.4%	4.3	4.3	4.5
<b>%Occupancy</b>	<b>31.8</b>	<b>28.1</b>	<b>22.5</b>	<b>-29%</b>	<b>20.9</b>	<b>21.1</b>	<b>22.5</b>

Given the plans to redistribute the 16 OB beds to the Med/Surg service, please also identify and discuss the methodology used to develop projections for the 86 licensed bed Med/Surg service's utilization in the first two years following discontinuation of the OB service.

The projection is based on the current run rate for the departments with a slight increase. For normal budgeting purposes we generally assume 2% growth, year 1 allows for the closure of the OB department and year 2 assumes 2% growth over year 1 in Med/Surg and Rehab. We also anticipate some of the growth to come from an increase in individuals accessing healthcare due to the Affordable Care Act.

#### 10. Section C, Economic Feasibility, Item 1

Although the potential re-use of the OB floor remains in question, will the unit require renovation in order to be converted to a medical/surgical unit (or other purpose)? What is the estimated cost to convert the LDRP and Postpartum beds to Med/Surg beds?

The current OB unit would require no renovation to be converted to a medical/surgical unit. All of the rooms are private rooms and would remain so. This would be a benefit in that it would make more private med/surg beds available at Lakeway Regional. Currently, only 5 of the 70 med/surg beds are in private rooms.

There would be no cost involved in converting the OB unit to a med/surg unit. The post-partum beds are regular hospital beds and could be used as med/surg beds. The 6 LDRP beds would be replaced with regular hospital beds. The beds, as well as any other required movable equipment, are in the CHS inventory of hospital FFE.

#### 11. Section C, Economic Feasibility, Item 4 (Historical Data Chart)

**Given that outpatient revenues of the OB Service are included in the chart, what is the appropriate utilization measure for same in lieu of Deliveries? If outpatient volumes were excluded, would the financial performance of the inpatient OB Service be favorable as opposed to the \$57,560 net operating income (NOI) loss in 2013 (e.g. at or above financial breakeven)? Please discuss.**

Given that outpatient revenue are included in the chart an appropriate utilization measure for same in lieu of deliveries would be adjusted admissions. The adjusted admissions for the same time period are as follows: 2011 = 365, 2012 = 332 and 2013 = 261. However, deliveries is the appropriate measure due to the fact we are required to maintain core staffing related to the service for the same. Taking away the outpatient revenue would only worsen the results for the unit.

**Please explain why there are no provisions for charity care for the OB service.**

No provision for charity care is included because virtually all low income mothers receiving inpatient OB services who do not have private insurance are Medicaid eligible.

**The (\$57,560) loss in NOI for 2013 at approximately 2% of gross operating revenue is noted. Based on review of the OB service full staff profile on page 31, it appears that annual salary and benefits (estimated at 21% of base) would come to approximately \$994,200 million in 2014, a difference of approximately \$200,000 from the salary cost in 2013. If this is correct, then it seems that the NOI in the chart is understated by said amount. Please clarify.**

The staffing profile on page 31 is full staff at our optimum utilization; the 2013 dollars represent salary and benefits for core staffing due to the continued decline in volume related to this service line.

**To have a better understanding of the OB Service impact to the hospital, please provide a Historical Data Chart for the hospital for the 2012 and 2013 periods.**

A Historical Data Chart for the entire hospital is attached following this response.

**May 23, 2014****2:46 pm****HISTORICAL DATA CHART**

Lakeway Regional Hospital 116

Give information for the last three (3) years for which complete data are available for the facility or agency.

	Year: 2011	Year: 2012	Year: 2013
A. Utilization/Occupancy Data	3478 admissions	3284 admissions	2607 admissions
B. Revenue from Services to Patients			
1. Inpatient Services	\$122,724,123.00	\$130,160,623.00	\$123,859,627.00
2. Outpatient Services	\$171,844,406.00	\$200,379,282.00	\$214,092,336.00
3. Emergency Services			
4. Other Operating Revenue	\$185,084.00	\$154,606.00	\$166,454.00
Specify: _____			
Gross Operating Revenue	\$294,753,613.00	\$330,694,511.00	\$338,118,417.00
C. Deductions from Operating Revenue			
1. Contract Deductions	\$252,219,794.81	\$284,740,856.95	\$296,294,571.50
2. Provision for Charity Care	\$832,654.19	\$726,077.05	\$413,887.50
3. Provision for Bad Debt	\$4,632,535.00	\$7,077,463.00	\$4,789,959.00
Total Deductions	\$257,684,984.00	\$292,544,397.00	\$301,498,418.00
<b>NET OPERATING REVENUE</b>	<b>\$37,068,629.00</b>	<b>\$38,150,114.00</b>	<b>\$36,619,999.00</b>
D. Operating Expenses			
1. Salaries and Wages	\$15,039,414.00	\$15,533,581.00	\$15,057,505.00
2. Physicians' Salaries and Wages			
3. Supplies	\$6,446,514.00	\$6,580,368.00	\$6,423,847.00
4. Taxes	\$3,114,158.00	\$3,541,243.00	\$3,453,504.00
5. Depreciation	\$2,345,391.00	\$2,575,696.00	\$2,747,136.00
6. Rent	\$883,814.00	\$943,104.00	\$1,017,010.00
7. Interest, other than Capital	\$4,215,301.00	\$4,398,085.00	\$4,719,153.00
8. Management Fees:			
a. Fees to Affiliates	\$1,311,116.00	\$1,549,313.00	\$1,367,148.00
b. Fees to Non-Affiliates			
9. Other Expenses	\$5,298,348.00	\$7,307,198.00	\$7,138,756.00
Specify: <u>see attached.</u>			
Total Operating Expenses	\$37,342,940.00	\$40,879,275.00	\$40,556,911.00
E. Other Revenue (Expenses)--Net			
Specify: _____			
<b>NET OPERATING INCOME (LOSS)</b>	<b>(\$274,311.00)</b>	<b>(\$2,729,161.00)</b>	<b>(\$3,936,912.00)</b>
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest	\$0.00	\$0.00	\$0.00
Total Capital Expenditures	\$0.00	\$0.00	\$0.00
<b>NET OPERATING INCOME (LOSS)</b>	<b>(\$274,311.00)</b>	<b>(\$2,729,161.00)</b>	<b>(\$3,936,912.00)</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>(\$274,311.00)</b>	<b>(\$2,729,161.00)</b>	<b>(\$3,936,912.00)</b>

**May 23, 2014****2:46 pm****D. Operating Expenses**

<b>9. Other Operating</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Med Spec Fees	\$972,443	\$1,388,171	\$1,503,189
Purchased Services	\$2,744,231	\$3,570,393	\$3,387,579
Phy recruiting	\$16,340	\$207	\$2,985
Repairs & Maint	\$940,525	\$1,031,797	\$1,311,626
Marketing	\$166,198	\$145,231	\$112,828
Utilities	\$540,378	\$630,332	\$635,907
Other Oper Exp	\$590,683	\$541,067	\$588,108
HITECH incentive	-\$672,450		-\$403,466
	<b>\$5,298,348</b>	<b>\$7,307,198</b>	<b>\$7,138,756</b>



**12. Section C, Economic Feasibility, Item 4 (Projected Data Chart)**

The Projected Data Chart without OB services is noted. It appears that revenues and expenses of the OB service have been accounted for, however, review of the applicant's CY2012 JAR revealed depreciation expense of approximately \$2.4 million and interest expense of approximately \$4.4 million for a total of \$6.8 million. Given the applicant's description on page 28, these amounts are consolidated under "Depreciation" in line D.5 of the chart and sum to \$3,288,750 in Year 1. Based on the difference of approximately \$3.5 million from the amounts provided in the CY2012 JAR, are operating expenses and NOI understated in the Projected Data Chart of the hospital? Please clarify.

The "depreciation" line item includes depreciation and amortization, not interest. Interest was erroneously omitted from the Projected Data Chart. A revised Projected Data Chart which includes the interest expense is attached following this response.

**May 23, 2014****2:46 pm****PROJECTED DATA CHART**

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

	Year 1 2419 admissions	Year 2 2467 admissions
A. Utilization/Occupancy Data (Specify unit of measure).		
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 125,258,940.00	\$ 131,521,887.00
2. Outpatient Services	\$ 200,393,126.00	\$ 210,412,782.30
3. Emergency Services	\$ 21,400,749.00	\$ 22,470,786.45
4. Other Operating Revenue (Specify) _____	\$ _____	\$ _____
<b>Gross Operating Revenue</b>	<b>\$ 347,052,815.00</b>	<b>\$ 364,405,455.75</b>
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 304,209,655.00	\$ 320,620,137.75
2. Provisions for Charity Care	\$ 726,077.00	\$ 782,380.85
3. Provisions for Bad Debt	\$ 4,273,440.00	\$ 4,487,112.00
<b>Total Deductions</b>	<b>\$ 309,209,172.00</b>	<b>\$ 325,869,630.60</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 37,843,643.00</b>	<b>\$ 38,535,825.15</b>
D. Operating Expenses		
1. Salaries and Wages	\$ 14,694,526.00	\$ 14,988,416.52
2. Physicians' Salaries and Wages	\$ -	\$ -
3. Supplies	\$ 6,601,406.00	\$ 6,733,434.12
4. Taxes	\$ 3,907,860.00	\$ 3,946,938.60
5. Depreciation	\$ 3,288,750.00	\$ 3,321,637.50
6. Rent	\$ 1,052,032.00	\$ 1,041,511.68
7. Interest, other than Capital	\$ 4,725,165.00	\$ 4,725,165.00
8. Management Fees:		
a. Fees to Affiliates	\$ 1,702,236.00	\$ 1,702,236.00
b. Fees to Non-Affiliates		
9. Other Expenses	\$ 7,497,692.00	\$ 7,647,645.84
Specify: Purch Svs, R&M, Utilities, mktg, other		
<b>Total Operating Expenses</b>	<b>\$ 43,469,667.00</b>	<b>\$ 44,106,985.26</b>
E. Other Revenue (Expenses)--Net Specify: _____		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (5,626,024.00)</b>	<b>\$ (5,571,160.11)</b>
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
<b>Total Capital Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (5,626,024.00)</b>	<b>\$ (5,571,160.11)</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$ (5,626,024.00)</b>	<b>\$ (5,571,160.11)</b>

**May 23, 2014****2:46 pm****D. Other Operating**

<b>9. Other Expenses</b>	<b>Year 1</b>	<b>Year 2</b>
Repairs & Maint	\$1,266,948.00	\$1,292,286.96
Other Operating	\$460,814.00	\$470,030.28
Purchased Services	\$3,625,704.00	\$3,698,218.08
Med Specialty Fees	\$1,371,924.00	\$1,399,362.48
Physician Recruiting	\$9,186.00	\$9,369.72
Contract Labor	\$150,000.00	\$153,000.00
Utilities	\$613,116.00	\$625,378.32
	\$7,497,692.00	\$7,647,645.84

As noted in the Historical Data Chart, it appears that the financial performance of the OB service may have had no significant or immediate bearing on the decision to apply for a CON to discontinue the OB service. However, it is understood that the OB unit's projected financial performance in 2014 may be significantly worse based on declining utilization due to the physician and nursing staffing problems described by the applicant. As such, using the chart as a template, please provide an estimate of projected NOI for the service in 2014 with highlights of any significant changes from 2013 (reduced operating revenue, increased contract labor expense, etc.).

The projection for 2014 includes a reduction of 25% in OB volume as previously noted. If the facility is not permitted to close the OB program the hospital will incur costs associated with maintaining core staffing for deliveries. The projection includes 2 travel nurses and Locums coverage for the same time period.

The 2014 OB service projection (using the HDC format as requested) is attached following this response.

**May 23, 2014****2:46 pm****HISTORICAL DATA CHART**

Lakeway Regional Hospital OB Depts: 021,024,028

Give information for the last three (3) years for which complete data are available for the facility or agency.

		Year: 2014
A.	Utilization/Occupancy Data	184
		Deliveries
B.	Revenue from Services to Patients	
	1. Inpatient Services	\$1,953,344.00
	2. Outpatient Services	\$121,072.00
	3. Emergency Services	
	4. Other Operating Revenue	
	Specify: _____	
	Gross Operating Revenue	\$2,074,416.00
C.	Deductions from Operating Revenue	
	1. Contract Deductions	\$1,273,069.10
	2. Provision for Charity Care	\$0.00
	3. Provision for Bad Debt	\$31,116.24
	Total Deductions	\$1,304,185.34
	<b>NET OPERATING REVENUE</b>	<b>\$770,230.66</b>
D.	Operating Expenses	
	1. Salaries and Wages	\$749,807.00
	2. Physicians' Salaries and Wages	
	3. Supplies/Drugs	\$150,512.00
	4. Taxes	
	5. Depreciation	
	6. Rent	\$4,436.00
	7. Interest, other than Capital	
	8. Management Fees:	
	a. Fees to Affiliates *	
	b. Fees to Non-Affiliates	
	9. Other Expenses	\$357,974.00
	Specify: Other Operating, Purch Serv, Maint, Malpractice	
	Total Operating Expenses	\$1,262,729.00
E.	Other Revenue (Expenses)—Net	
	Specify: _____	
	<b>NET OPERATING INCOME (LOSS)</b>	<b>(\$492,498.34)</b>
F.	Capital Expenditures	
	1. Retirement of Principal	
	2. Interest	
	Total Capital Expenditures	\$0.00
	<b>NET OPERATING INCOME (LOSS)</b>	<b>(\$492,498.34)</b>
	<b>LESS CAPITAL EXPENDITURES</b>	<b>\$0.00</b>
	<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>(\$492,498.34)</b>

\* Corporate management fees allocated to Lakeway Regional are reflected on the projected data chart. However, it is not possible to allocate a portion of these fees to OB or any specific service line.

**May 23, 2014****2:46 pm****D. Operating Expenses**

<b>9. Other Expenses</b>	<b>2014</b>
Malpractice Ins	89,482
Repairs & Maint	\$2,292
Locums	\$183,000
Travel Nurses	\$83,200
	\$357,974

**May 23, 2014**

**2:46 pm**

**Please provide an additional Projected Data Chart for the entire facility for the next two years as if the discontinuance of the Obstetrical Services Program were not approved by the Agency. In your response, please include the cost for locum tenens coverage of the OB service as described on page 29. Please also identify what is being included in management fees to affiliates and indicate how much might be discretionary, i.e. the amount that could be reduced in year 1 and year 2 to cover operating losses if the OB service were continued.**

The Projected Data Chart including OB services includes additional fees estimated at \$547,500 for travel nurses and Locums for required coverage. These fees may be more depending on the available coverage if the facility is required to maintain this service. The management fees to affiliates are not discretionary dollars; these fees are allocated to the facility and are not based on the services at the facility.

An additional Projected Data Chart is attached following this response.

May 23, 2014

2:46 pm

## PROJECTED DATA CHART

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

	Year 1 2569 admissions	Year 2 2620 admissions
A. Utilization/Occupancy Data (Specify unit of measure),		
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 127,870,539.00	\$ 134,264,065.95
2. Outpatient Services	\$ 221,793,875.00	\$ 232,883,568.75
3. Emergency Services	\$ 21,400,749.00	\$ 22,470,786.45
4. Other Operating Revenue (Specify) _____	\$ _____	\$ _____
Gross Operating Revenue	\$ 371,065,163.00	\$ 389,618,421.15
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 327,112,494.44	\$ 345,468,119.16
2. Provisions for Charity Care	\$ 726,077.00	\$ 762,380.85
3. Provisions for Bad Debt	\$ 4,314,932.00	\$ 4,530,678.60
Total Deductions	\$ 332,153,503.44	\$ 350,761,178.61
NET OPERATING REVENUE	\$ 38,911,659.56	\$ 38,857,242.54
D. Operating Expenses		
1. Salaries and Wages	\$ 15,484,333.00	\$ 15,794,019.66
2. Physicians' Salaries and Wages	\$ -	\$ -
3. Supplies	\$ 6,802,828.00	\$ 6,938,884.56
4. Taxes	\$ 3,907,860.00	\$ 3,946,938.60
5. Depreciation	\$ 3,288,750.00	\$ 3,321,637.50
6. Rent	\$ 1,056,468.00	\$ 1,045,903.32
7. Interest, other than Capital	\$ 4,725,165.00	\$ 4,725,165.00
8. Management Fees:		
a. Fees to Affiliates	\$ 1,702,236.00	\$ 1,702,236.00
b. Fees to Non-Affiliates		
9. Other Expenses	\$ 8,045,192.00	\$ 8,206,095.84
Specify: Purch Svs, R&M, Utilities, mkting, other		
Total Operating Expenses	\$ 45,012,832.00	\$ 45,680,880.48
E. Other Revenue (Expenses)--Net		
Specify: _____		
NET OPERATING INCOME (LOSS)	\$ (6,101,172.44)	\$ (6,823,637.94)
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	\$ -	\$ -
NET OPERATING INCOME (LOSS)	\$ (6,101,172.44)	\$ (6,823,637.94)
LESS CAPITAL EXPENDITURES	\$ -	\$ -
NOI LESS CAPITAL EXPENDITURES	\$ (6,101,172.44)	\$ (6,823,637.94)



**May 23, 2014****2:46 pm****D. Other Operating**

9. Other Expenses	Year	Year 2
Repairs & Maint	\$1,266,948.00	\$1,292,286.96
Other Operating	\$460,814.00	\$470,030.28
Purchased Services	\$3,625,704.00	\$3,698,218.08
Med Specialty Fees (including Locums)	\$1,919,424.00	\$1,957,812.48
Physician Recruiting	\$9,186.00	\$9,369.72
Contract Labor (including Travel Nurses)	\$150,000.00	\$153,000.00
Utilities	\$613,116.00	\$625,378.32

**Projected outpatient annual gross revenues are approximately \$75 million higher than the applicant's inpatient revenues. In lieu of admissions, what is a representative utilization measure that applies equally to outpatient (e.g. adjusted patient days)? Please clarify.**

A representative alternative utilization measure would be adjusted admissions and adjusted patient days. Adjusted admissions and patients days are calculated using the OP factor (Total Revenue/IP Revenue) multiplied by the number of admissions and patient days.. Based on the projected data chart Year 1 adjusted admissions = 6,700 and adjusted patient days = 30,151; Year 2 adjusted admissions = 6,833 and adjusted patient days = 30,749.

**Since the community is losing access to a valuable primary care healthcare resource through this proposal, please discuss how the hospital's financial gain, if any, will be used to fund access to other community healthcare programs designed to address other vital community healthcare needs.**

With focusing on core service lines to include ED, outpatient services and Med/Surg volume, Lakeway Regional will still be an integral part of the medical community for the service area. The impact of this proposal will allow the Lakeway to direct resources to key service lines to maintain long term financial viability of the hospital.

### **13. Section C, Economic Feasibility, Item 6.B**

**It is understood that proposed charges of the OB Service would not apply should CON approval of the proposal be granted by the Agency. However, it would be helpful if the applicant included findings from its review of the 2012 Tennessee Hospital Charge Report pertaining to a comparison of the applicant's charges to other hospitals in the service area for vaginal and cesarean deliveries by severity level. While review by HSDA staff revealed that the applicant's charges for these 2 categories were the highest of the 3 hospitals, comment by the applicant pertaining to the rationale for same and any implications as to potential financial impact to the other OB providers would be appreciated.**

As noted, the reported gross charges of Lakeway Regional for both vaginal and caesarian deliveries were the highest of the 3 hospitals in the service area providing OB services. The charges reported for Lakeway do not equate to or determine actual reimbursement received. Actual reimbursement is determined by the 3<sup>rd</sup> party payor, which for OB is most often TennCare.

Letters from both MHHS and Newport Medical Center indicating those providers' ability and willingness to absorb OB volume from Lakeway Regional are attached following the response to Question 4. The letter from Newport Medical Center also states its willingness to accept TennCare patients. While the letter from MHHS does not specifically address TennCare, that hospital apparently participates in 4 TennCare plans, as indicated by its treatment of patient s in those plans as indicated on its Joint Annual Report. And virtually all low income mothers who present for OB delivery will either have private insurance or will be Medicaid/TennCare eligible. The absorption of the OB patients into MHHS and Newport Medical Center is not expected to have any negative financial impact on those hospitals.

**14. Section C, Economic Feasibility, Items 7 and 8**

**Please discuss in terms of total hospital in accordance with the projected utilization volumes provided by the applicant in question 9 of this supplemental response (question relates to Section C, Need, Item 6).**

**In your response, please identify the contribution the Med/Surg service may have to the financial viability of the hospital with more staffed beds in service and increases in patient admissions to the service.**

As reflected in the table in response to Question 9, we expect to see only a minimal increase in Med/Surg patients in 2014. This increase is primarily due to the expected increase in insured patients due to the Affordable Care Act. As patients gain access to affordable care, less self-pay volume will be realized reducing bad debt. On current operational models for staffing and coverage of the Med/Surg unit, we will be able to enhance operational efficiencies, in a concise manner, while meeting the needs of the patients and providers we serve. By focusing on core service lines to include ED, outpatient services and Med/Surg volume, Lakeway will still be an integral part of the medical community for the service area. The impact of this proposal will allow Lakeway to direct resources to key service lines in order to maintain long term financial viability of the hospital.

**15. Section C, Orderly Development, Item 2**

**Please complete the following chart for the positive and negative effects of the proposed project:**

<b>Positive Effects</b>	<b>Negative effects</b>
<b>1.) continue OB in Morristown</b>	<b>1.)less patient choice</b>
<b>2.) more efficient operation</b>	<b>2.)</b>
<b>3.) Increase OB volume at MHHS</b>	<b>3.)</b>
<b>4.) Increase OB volume at Newport Med. Ctr.</b>	<b>4.)</b>
<b>5.)Increase flexibility for med/surg program at Lakeway Regional. Additional private beds.</b>	<b>5.)</b>

No. 4): In light of the fact that approximately 18% of Lakeway Regional's deliveries in 2012 were residents of Cocke County, it is likely some of these patients would go to Newport Medical Center in Cocke County as an alternative OB provider. Newport Medical Center has unused capacity in its OB program, as reflected in the table in response to Question 8. So another positive effect of this project is the likely increase in OB utilization at Newport Medical Center.

No. 5): Although it has not been definitively determined to convert the OB unit to a med/surg unit, that is the most likely scenario. Most of the current med/surg beds at Lakeway Regional are in semi-private rooms. All of the rooms in the current OB unit are private rooms, and will remain so. If the ultimate use of the OB unit is to convert it to a med/surg unit, it would increase the number of private med/surge beds available at Lakewood Regional by 16 beds.

**16. Outstanding CON Project Status/Updates**

**Please identify the status of any outstanding Certificates of Need approved by HSDA for facilities affiliated with the applicant through ownership by Community Health Systems, Inc. At a minimum, please identify the name & CON #, current status or update of activities in progress (included in Annual Progress Report if due) and estimated completion dates of major phases of the project, as appropriate.**

The requested information is attached following this response.

**May 23, 2014****2:46 pm**

## Outstanding CONs for CHS Hospitals

<b>Facility</b>	<b>CON #</b>	<b>Description</b>	<b>Status</b>	<b>Exp. Date</b>
Jamestown Regional Medical Center	CN1211-055A	Convert 6 med/surg beds to 6 swing beds	The Medicare number for the service has been received, and the Medicaid number is expected within the next 30 days. The service will begin as soon as the Medicaid number is received. An Annual Report was submitted on or about 4-30-14.	4-1-2016
North Knoxville Medical Center	CN1106-019A	Acquisition of 2 <sup>nd</sup> linear accelerator	This project has been delayed due to the CHS acquisition of HMA and other factors. As a result, it is likely a one year extension for this project will be requested prior to the deadline. An Annual Report was submitted on or about 5-9-14.	12-1-2014
North Knoxville Medical Center	CN1211-056A	Initiation of diagnostic cardiac cath.	Construction is scheduled to begin in September, 2014, with an anticipated completion date of February 28, 2015. An Annual Report was submitted on or about 5-1-14.	4-1-2016
University Medical Center	CN1210-051A	Acquisition of linear accelerator service	The acquisition of the linear accelerator service was completed in February 2013. Due to the HMA acquisition of the HMA, the service line plan which would address the possible replacement of the linear accelerator has not been completed. An Annual Report is being prepared and will be submitted by the end of May, 2014.	3-1-2016

**17. Proof of Publication.**

**Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.**

A Publisher's Affidavit is attached following this response.

**May 23, 2014****2:46 pm****AFFIDAVIT OF PUBLICATION**STATE OF TENNESSEECOUNTY OF HAMBLLENR. Michael Fishman

Printed Name

Personally appeared before the undersigned authority and made oath that he is the Editor and Publisher of the Citizen Tribune and that the attached item was published in said newspaper on the following dates:

5/9/2014.

Signed



Name of Account: LAKEWAY REGIONAL HOSPITAL

Order Number: 22052843


Sworn to, and subscribed before me at Morristown, TN, this 12 th day of May, 2014.



Notary Public

Commission expires: 12/06/2015



 <b>PUBLICATION OF INTENT</b> <b>TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY</b>	
<p>The following shall be published in the "Legal Notices" section of the newspaper in a space no smaller than two (2) columns by two (2) inches.</p>	
<p><b>NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED</b></p> <p>This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 66-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Lakeway Regional Hospital, owned and managed by Hospital of Morristown, Inc., intends to file an application for a Certificate of Need for authorization to discontinue its obstetrical services. The 18 obstetrical beds will be re-distributed to the general medical-surgical bed complement. Lakeway Regional Hospital is located at 726 McFarland Street, Morristown, Tennessee 37814. Lakeway Regional Hospital is licensed as a general hospital by the Tennessee Board for Licensing Health Care Facilities. The number of licensed hospital beds (130) will not change as a result of this proposal. No major medical equipment is involved in this project. The estimated project cost is \$13,000,000.</p> <p>The anticipated date of filing the application is May 14, 2014.</p> <p>The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Sills and Harrison, PLLC, 401 Commerce Street, Suite 603, Nashville, Tennessee, 37219, 615-782-2228.</p> <p>Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:</p> <p style="text-align: center;">Health Services and Development Agency Andrew Jackson Building, Ninth Floor 801 Duane Street Nashville, TN 37243</p> <p>Pursuant to T.C.A. § 66-11-1607(g)(1) Any health care institution wishing to support a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than 180 days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally introduced; and (2) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the introduction of the application by the Agency.</p> <p><small>Approved by the Tennessee Health Services and Development Agency on 05/14/2014. The following information was provided to the Health Services and Development Agency on 05/14/2014.</small></p> <p><small>HTSD Form 3-0203 - All cases prior to 1/1/14 are obsolete</small></p>	

**May 23, 2014****2:46 pm****AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF HAMBLEN

NAME OF FACILITY: Lakeway Regional Hospital

I, Clyde Wood, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Name

Title

Sworn to and subscribed before me this the 20<sup>th</sup> day of May, 2014, a Notary Public in and for Hamblen County Tennessee.

Notary Public

My Commission Expires: 01-17-18



**SUPPLEMENTAL**  
**#2**

**SECOND SUPPLEMENTAL RESPONSES**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**LAKEWAY REGIONAL HOSPITAL**

**Discontinuance of Inpatient Obstetrical Services**

**Project No. CN1405-013**

**Hamblen County, Tennessee**

**May 30, 2014**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

**1. Section A, Item 3 (Owner)**

**The organizational chart & list of facilities affiliated through ownership by CHS are noted.**

**The org chart includes Scott County Hospital, now known as Pioneer Community Hospital of Scott. Given the hospital's management changes since May 2012 (as documented in recent certificate of need activity of the hospital such as CN1311-041AY and CN1308-030A), please clarify whether or not the hospital is affiliated through ownership by CHS, Inc. If in error, please provide a revised org chart with your response.**

Scott County Hospital was formerly affiliated with CHS. Its ownership was divested and it is no longer affiliated with CHS. A revised organizational chart is attached following this response.

**2. Section B, Project Description, Items II.B and Section B, Project Description, Item IV (Floor Plan)**

The responses are noted. Review of the floor plan appears to indicate that the Med/Surg service is located on the same floor as the current OB service ( 2<sup>nd</sup> floor) and contains 5 private rooms and 33 semi-private rooms for a total of 71 licensed beds in lieu of the 70 beds identified in Section A, Item 9 of the application (Bed Complement table). Please clarify.

One bed is in an isolation room, which is only used when medically required. So although there are 71 beds physically located in the hospital, only 70 are licensed and could potentially be used at any time. So the actual count of licensed private and semi-private beds is 66 semi-private and 4 private.

Per the response, it also appears that conversion of the existing 16 bed OB unit to Med/Surg use in the future would result in at least 16 additional private rooms for the Med/Surg service. Please illustrate this benefit by completing the room/bed configuration table below:

Type room	# Rooms	# Licensed Beds
Private-current	5	4
Semi-Private-Current	33	66
Total- current	38	70
Private-Proposed	21	20
Semi-Private-proposed	33	66
Total-Proposed	54	86

**3. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services (B. Accessibility)**

Accessibility, Item 4 – The comparison by percentage mix and acuity is noted however, please also discuss findings pertaining to a comparison of the actual dollar amounts of the charges by provider.

The reported gross charges of Lakeway Regional for both vaginal and caesarian deliveries were the highest of the 3 hospitals in the service area providing OB services. The charges reported for Lakeway do not equate to or determine actual reimbursement received. Actual reimbursement is determined by the 3<sup>rd</sup> party payor, which for OB is most often TennCare or commercial insurance.

A comparison of the 2012 average gross charges (not weighted for severity) is reflected below.

<u>Hospital</u>	<u>Gross Charge Vaginal</u>	<u>Gross Charge Caesarian</u>
Lakeway Regional	\$12,055	\$37,825
Morristown-Hamblen	\$5,486	\$7,647

Newport Med. Ctr.                      \$9,587                                      \$14,541

**4. Section C, Need, Item 2 and Section C, Orderly Development, Item 2**

**The description of hospital management's discussions with local business, medical community leadership and elected public officials is noted. However, the requested letters of support from community leaders and members of the medical staff for the project appear to have been omitted. At a minimum, letters from the medical director and/or other members of the hospital's medical staff would be helpful to documenting support for this project.**

A letter from Michael Tan, M.D., who serves as Chief of Medical Staff at Lakeway Regional is attached following this response. Also attached is a letter of support from Steve Sheedlo, M.D., a hospitalist who serves as the Medical Director of the Hospitalist program for Lakeway Regional. It is anticipated that additional letters of support from the community will be submitted prior to the meeting at which this application is considered.

# COMMUNITY HEALTH SYSTEMS, INC. TENNESSEE (Page 1 of 2)

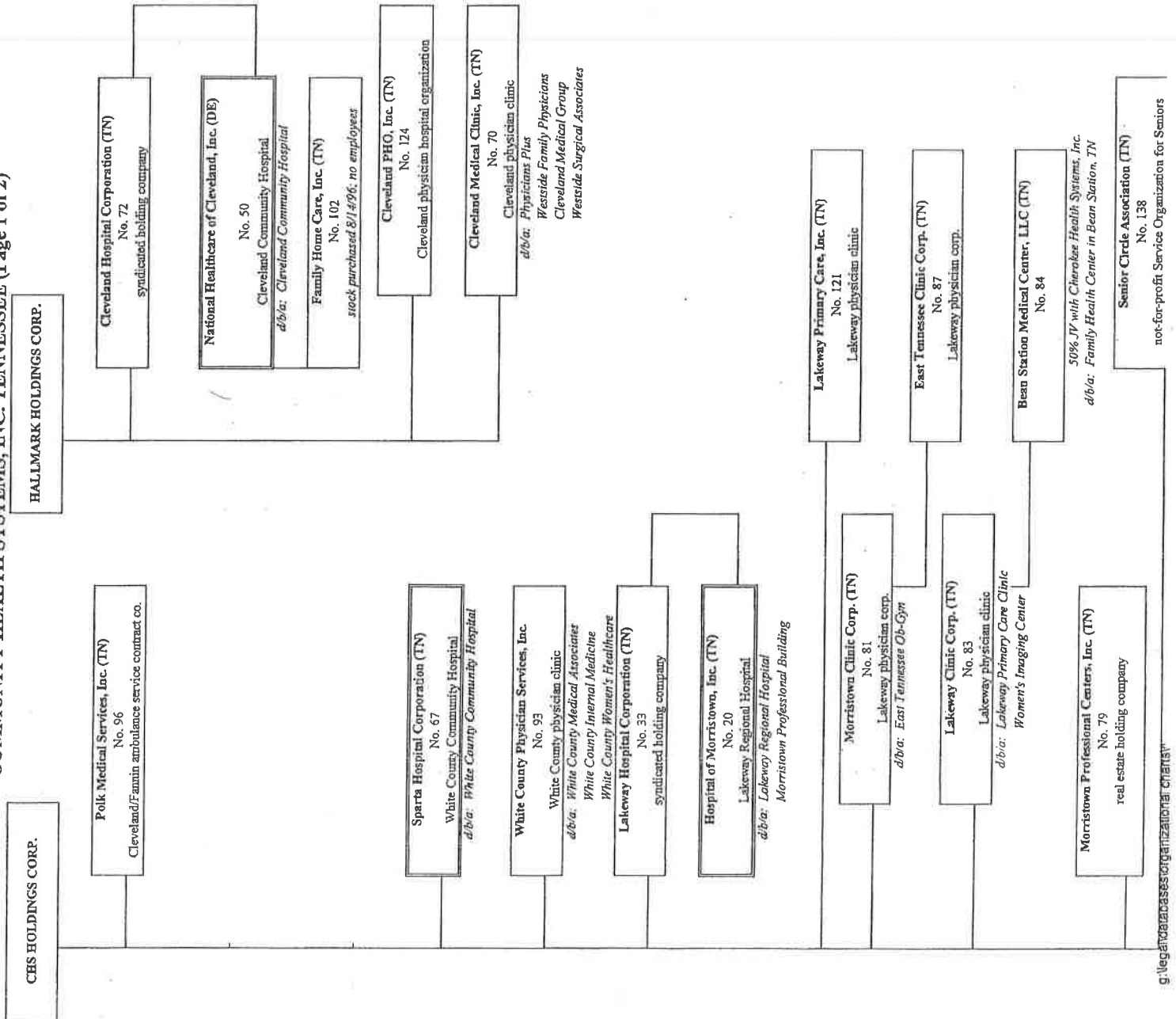
110

SUPPLEMENTAL #2

May 29, 2014

3:48 pm

3/20/2014



# COMMUNITY HEALTH SYSTEMS, INC. TENNESSEE (Page 2 of 2)

CHS HOLDINGS CORP.

Jackson Hospital Corporation (TN)  
No. 195  
Created for West Tennessee acquisitions

Madison Clinic Corp. (TN)  
No. 203  
d/b/a Jackson Pediatric Center

Jackson, Tennessee Hospital Company, LLC (TN)  
No. 196  
d/b/a Regional Hospital of Jackson

McKenzie Hospital Corporation (TN)  
No. 197  
d/b/a McKenzie Regional Hospital  
d/b/a Ambulance Service of McKenzie

McKenzie Clinic Corp. (TN)  
No. 204  
d/b/a Family Medicine Clinic

Ambulance Services of McKenzie, Inc. (TN)  
No. 211

Lexington Hospital Corporation (TN)  
No. 198  
d/b/a Henderson County Community Hospital  
d/b/a Ambulance Service of Lexington  
d/b/a Community Home Health Agency

Lexington Clinic Corp. (TN)  
No. 205  
Ambulance Services of Lexington, Inc. (TN)  
No. 212

Brownsville Hospital Corporation (TN)  
No. 199  
d/b/a Haywood Park Community Hospital

Brownsville Clinic Corp. (TN)  
No. 206  
d/b/a Brownsville Women's Center

Dyersburg Hospital Corporation (TN)  
No. 200  
d/b/a Dyersburg Regional Medical Center  
d/b/a Ambulance Service of Dyersburg  
d/b/a West Tennessee Home Health Agency  
d/b/a West Tennessee Regional Private Healthcare Services

Dyersburg Clinic Corp. (TN)  
No. 207  
Ambulance Services of Dyersburg, Inc. (TN)  
No. 213

Martin Hospital Corporation (TN)  
No. 201  
d/b/a Volunteer Community Hospital

Martin Clinic Corp. (TN)  
No. 208  
26.9309%  
d/b/a Rural Health Associates of NW TN  
d/b/a Martin Pediatric Clinic  
d/b/a Martin Specialty Clinics  
d/b/a Union City Specialty Clinic; d/b/a Sharon Family Practice

Riverside MSO, LLC (TN)  
No. 219  
7.6914%; 17 Physicians hold 3.8457% each

McNairy Hospital Corporation (TN)  
No. 202  
d/b/a McNairy Regional Hospital  
d/b/a Ambulance Service of McNairy

McNairy Clinic Corp. (TN)  
No. 209  
Ambulance Services of McNairy, Inc. (TN)  
No. 210

May 29, 2014

3:48 pm

*Michael Angelo Tan, M.D., F.A.C.P.*

Diplomate, American Board of Internal Medicine

854 West Seventh North Street

Morristown, Tennessee 37814

Telephone: (423) 581-7119



May 29, 2014

*Melanie M. Hill**Executive Director**Tennessee Health Services and Development Agency**Andrew Jackson Building, Ninth Floor**502 Deaderick St**Nashville, TN 37243*

Re: Lakeway Regional Hospital  
CN1405-013

Ms. Hill,

I am currently serving as Chief of Staff for Lakeway Regional Hospital. As you are aware, the Hospital has filed a Certificate of Need to close its OB program.

Morristown has two hospitals that are located directly across the street from one another. Morristown-Hamblen Health System employs four of the six OB providers in the community. They have a more robust OB program. Based on provider resources and declining volumes the general consensus of the Medical Staff understands and supports the facilities' plan of action. With the closure of the OB program at Lakeway Regional Hospital space and resources will be able to be redirected to focus on general medical and surgical patient care.

If you have additional questions, please do not hesitate to contact me.

Regards,

Michael Tan, MD

Chief of Staff

Lakeway Regional Hospital



**May 29, 2014****3:48 pm**

Phone 602.778.3600

Fax 602.778.3659

[www.apogeephysicians.com](http://www.apogeephysicians.com)

2525 East Camelback Road, Suite 1100 • Phoenix, Arizona 85016

May 29<sup>th</sup>, 2014*Melanie M. Hill**Executive Director**Tennessee Health Services and Development Agency**Andrew Jackson Building, Ninth Floor**502 Deaderick St**Nashville, TN 37243*


Re: Lakeway Regional Hospital  
CN1405-013

Ms. Hill,

I currently serve as the Medical Director for the Hospitalist program for Lakeway Regional Hospital. Our program covers roughly 60% of inpatient volume for the facility. While we do not cover the OB program directly, we work closely with several of the medical providers on staff. At times, general inpatient volume can be significant and bed availability can be a challenge. This especially is the case when there are a number of isolation patients that need a private room and we are not able to fully utilize our semi-private rooms. Our program is in favor of the proposed CON to close its OB program. The current space could be efficiently utilized for additional inpatient rooms as the need arises.

Please feel free to reach out to me if you have any questions.

Regards,



Steve Sheedlo, M.D.  
Medical Director  
Apogee Physicians  
Lakeway Regional Hospital

**5. Section C, Need, Item (4.B.) and Section C, Need, Item 5**

The responses are noted. Using the tables in the response and combining to estimate market share & service migration, it appears that the 2 hospitals with OB services in the 5-county service area accounted for approximately 53% of deliveries by female residents of the PSA in 2012 (from 56% in 2011). As such, it appears that outmigration to hospitals with OB services in other counties that border the applicant's PSA such as Knox, Sullivan and Washington Counties is significant – an observation that may further support the ability of hospitals in the PSA to absorb the proposed discontinuation of OB services (see table below).

In light of the above, HSDA staff may wish to measure same by estimating the migration and completing the table below with data support from the Division of Health Statistics, Department of Health. The data may be helpful to completing the following table:

<b>Year</b>	<b>Total Births to female residents of PSA Ages 15-44</b>	<b>Births by female residents of PSA at Hospitals in PSA (as a % of total)</b>	<b>Births by female residents of PSA at Knox County Hospitals (as a % of total)</b>	<b>Births by female residents of PSA at Sullivan County Hospitals (as a % of total)</b>
<b>2012</b>	<b>2,511</b>	<b>1,332 (53%)</b>	<b>To be determined</b>	<b>To be determined</b>
<b>2011</b>	<b>2,485</b>	<b>1,386 (56%)</b>		
<b>2010</b>	<b>2,458</b>	<b>1,314 (53%)</b>		
<b>% Change '10-'12</b>	<b>2% increase</b>	<b>1.4% increase</b>		

As a start, it would be helpful if the applicant would identify the hospitals with active OB services that are located in Knox, Sullivan, and/or Washington Counties and complete the table below using information from the CY2012 Joint Annual Report. Depending on the provider's 2012 JAR, either admissions or discharges can be used in the columns at the far right of the table.

A table with the requested data is attached following this response.

**6. Section C, Need, Item 6**

**The table illustrating the hospital's utilization of its licensed beds by service is noted.**

**As to methodology, it appears that admissions of the Med/Surg service are expected to increase by approximately 8% from 2014 (estimated) and should account for the majority of the hospital's projected admissions in Year 1 and Year 2, averaging approximately 76% of the hospital's total admissions per year. As such, do these amounts provide further evidence of the impact of the proposal based on the 16 former OB beds being added to the service?**

Those observations are correct. The projected increase in med/surg admissions is partly due to the additional private beds being available, which will only be possible if the OB service is discontinued. The other major factor leading to the projected increase in admissions is the increased access to care as a result of the Affordable Care Act.

**7. Section C, Economic Feasibility, Item 4 (Projected Data Chart)**

**Other expenses in the revised Projected Data Chart for item 12 of your 5/23/14 supplemental response includes approximately \$1.4 million for medical specialty fees in Year 1 (no OB services). However, in the event OB services were to continue, the applicant estimates medical specialty fees of approximately \$1.9 million in Year 1, a difference of \$500,000.00 (Projected Data Chart, Item 13). With locum tenens estimated for CY2014 at approximately \$183,000, what accounts for the remainder of the \$500,000 difference in the estimates for medical specialty fees in Year1?**

The estimated \$183,000 locums expenditure for 2014 assuming the continuance of the OB covers 4.5 months of 2014, assuming the CON was not approved in August, 2014. This is approximately \$41,000 per month (rounded up to nearest \$1,000). The Year 1 projection, which again assumes the continuance of the OB program, annualized this amount to \$492,000. This estimate was further increased up to \$547,500 (approximately 11%) to account for inflation, uncertainty as to market conditions and fair market value, and other unknown contingencies.

May 29, 2014

3:48 pm

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF HAMBLLEN

NAME OF FACILITY: Lakeway Regional Hospital

I, Clyde Wood, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Name

Title

Sworn to and subscribed before me this the 29<sup>th</sup> day of May, 2014, a Notary Public in and for Hamblen County Tennessee.

Notary Public

My Commission Expires: 1-17-18

May 29, 2014

3:48 pm

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Hospital	County	# OB Beds (# NICU beds, if any)	Births 2012	Births 2011	Births 2010	2012 Total Hospital Admissions*	2012 Service area Admissions as a % of total
Ft. Sanders Regional	Knox	46 OB	2,730	2,681	2,343	16,206	10%
Parkwest Medical Center	Knox	20 OB	1,604	1,624	1,620	16,223	3%
Tennova Healthcare (f/k/a St. Mary's)	Knox	22 OB	1,466	1,552	1,722	15,563	15%
Tennova Turkey Creek (f/k/a Baptist West)	Knox	10 OB	333	338	693	4,475	11%
U.T. Medical Center	Knox	12 OB; 67 NICU	3,120	2,822		23,907	10%
Indian Path Medical Center	Sullivan	22 OB	863	859	817	6,146	13%
Wellmont Bristol Regional Medical Center	Sullivan	15 OB	858	844	870	14,506	0.4%
Wellmont Holston Valley Medical Center	Sullivan	17 OB	957	993	1,109	18,451	17%
Franklin Woods Community Hospital	Washington	20 OB	864	838	0	3,719	0.6%
Johnson City Medical Center	Washington	21 OB; 39 NICU	1,268	1,261	1,054	25,761	19%

# Board for Licensing Health Care Facilities



State of Tennessee

## DEPARTMENT OF HEALTH

0000000072

No. of Beds 0135

*This is to certify, that a license is hereby granted by the State Department of Health to*

*to conduct and maintain a*

HOSPITAL OF MORRISTOWN, INC.

Hospital

LAKEWAY REGIONAL HOSPITAL

Located at

726 MCFARLAND STREET, MORRISTOWN

County of

HAMBLETON

, Tennessee.

*This license shall expire* JUNE 18, 2014, *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

*In Witness Whereof, we have hereunto set our hand and seal of the State this* 18TH *day of* JUNE, 2013

GENERAL HOSPITAL  
PEDIATRIC PRIMARY HOSPITAL

*In the Distinct Category(ies) of:*



By

*James J. Davis, MPH*

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By

*M. J. Dyer*

COMMISSIONER

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 513	<p>1200-8-1-.05 (8)(f) Admissions, Discharges and Transfers</p> <p>(8) The hospital must ensure continuity of care and provide an effective discharge planning process that applies to all patients. The hospital's discharge planning process, including discharge policies and procedures, must be specified in writing and must:</p> <p>(f) Be completed on a timely basis to allow for arrangement of post-hospital care and to avoid unnecessary delays in discharge;</p> <p>This Statute is not met as evidenced by: Based on medical record review and interview, the facility failed to ensure a timely transfer to another hospital for one (#13) of 17 patients reviewed.</p> <p>The findings included:</p> <p>Medical record review of patient #13 revealed the patient presented to the ED (Emergency Department) on January 9, 2007, at 11:33 a.m., with diagnoses to include Fever and Right Ear Ache. Continued review revealed the patient had a temperature of 102.8, heart rate of 200, pain intensity scale = 10/10, crying, and elevated white blood cell count of 21.5 (normal 6.4 - 15.0 x 1000). Continued medical record review revealed an order to transfer the patient to another hospital at 2:20 p.m.; the EMS (Emergency Medical Services) was notified of the need for transport via ambulance at 3:40 p.m.; the EMS was contacted again of the need for transport at 7:20 p.m.; and the patient transport to the receiving hospital began at 9:00 p.m. Interview, in the conference room, with the Chief Nursing Officer, on October 11, 2007, at 10:20 a.m., confirmed</p>		H 513		

Division of Health Care Facilities

TITLE

(X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

6899

ZODU11

If continuation sheet 1 of 5

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>		STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
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H 513	Continued From page 1 the transfer was not timely.	H 513		
H 649	1200-8-1-.06 (3)(j)4. Basic Hospital Functions  (3) Infection Control.  (j) The central sterile supply area(s) shall be supervised by an employee, qualified by education and/or experience with a basic knowledge of bacteriology and sterilization principles, who is responsible for developing and implementing written policies and procedures for the daily operation of the central sterile supply area, including:  4. Provisions for maintenance of package integrity and designation of event-related shelf life for hospital-sterilized and commercially prepared supplies;  This Statute is not met as evidenced by: Based on observation, review of manufacturer's recommendations, and interview, the facility failed to follow the manufacturer's recommendations for the storage of intravenous and irrigation fluids.  The findings included:  Observation, on October 10, 2007, at 10:15 a.m., with the Chief Nursing Officer, of the warmer located in the sterile processing area of the Cesarean Section (C-Section) operating suite, revealed 28 undated containers of 1000 ml fluids each. Review of the manufacturer's recommendation of fluids held in a warmer revealed, " ...store at room temperature (25 degrees centigrade); however, brief exposure (up	H 649		



STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 649	Continued From page 2  to 4 weeks) at 40 degrees centigrade does not adversely affect the product ..." Interview, on October 10, 2007, at 10:15 a.m., with the Chief Nursing Officer, in the sterile processing area of the C-Section operating suite, confirmed the fluids were not dated as to when they had been placed in the warmer.		H 649		
H 683	1200-8-1-.06 (4)(j) Basic Hospital Functions  (4) Nursing Services.  (j) All drugs, devices and related materials must be administered by, or under the supervision of, nursing or other personnel in accordance with federal and state laws and regulations, including applicable licensing requirements, and in accordance with the approved medical staff policies and procedures.  This Statute is not met as evidenced by: Based on observation and interview, the facility failed to assure medications were secured on the Anesthesia medication cart in the Cesarean Section delivery suite.  The findings included:  Observation, with the Chief Nursing Officer, of the Anesthesia medication cart, located in the unlocked Cesarean Section (C-Section) delivery suite, available to non licensed personnel and non staff members, on October 10, 2007, at 9:30 a.m., revealed the cart to be unlocked. Continued observation revealed a total of 132 medications of the following classifications of medications not secured: paralytic agent, local anesthetics, analgesics, and other drugs used		H 683		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>		STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)
H 683	Continued From page 3  during surgery for emergency purposes. Continued observation revealed four pre-filled syringes of medication; one of which had no identifying information concerning dosage of the medication in syringe. Interview, in the C-Section suite, with the Chief Nursing Officer, on October 10, 2007, at 9:30 a.m., confirmed the medications were not secured.		H 683	
H 706	1200-8-1-.06 (5)(k)8. Basic Hospital Functions  (5) Medical Records.  (k) All records must document the following:  8. Final diagnosis with completion of medical records within thirty (30) days following discharge.   This Statute is not met as evidenced by: Based on medical record review, policy review, and interview, the facility failed to assure a discharge summary was completed within thirty days for one of seven closed charts reviewed.  The findings included:  Patient #17 was admitted to the hospital on April 17, 2007, and underwent a Total Knee Arthroplasty and was discharged on April 20, 2007. Medical record review revealed the discharge summary was dictated on September 11, 2007, (143 days after discharge). Review of the Medical Record Documentation Requirements policy revealed discharge summaries "must be completed upon discharge or death as soon as possible, but no later than 30 days after discharge or death." Interview with the		H 706	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
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H 706	Continued From page 4  Director of Quality Management/Regulatory Compliance in the conference room on October 11, 2007, at 11:10 a.m., confirmed the facility failed to have the discharge summary on the medical record within the required thirty days.		H 706		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - LAKEWAY REGIONAL HO</b> B. WING _____		(X3) DATE SURVEY COMPLETED  <b>10/10/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 872	<p>1200-8-1-.08 (2) Building Standards</p> <p>(2) The condition of the physical plant and the overall hospital environment must be developed and maintained in such a manner that the safety and well-being of patients are assured.</p> <p>This Statute is not met as evidenced by: Item #1 Based on observation and interview, the facility failed to assure corridor doors closed to a positive latch.</p> <p>The findings include:</p> <p>Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed the following corridor doors failed to close to a positive latch:</p> <ol style="list-style-type: none"> <li>1) Soiled utility room near Emergency Department ambulance entrance</li> <li>2) Soiled utility room near the Emergency Department nurses station</li> <li>3) Female locker room on 2nd floor OB unit</li> <li>4) 1st Floor exit door to MRI</li> <li>5) 1st Floor housekeeping laundry room</li> <li>6) 1st Floor janitor's closet adjacent to the housekeeping office</li> </ol> <p>Item #2 Based on observation and interview, the facility failed to assure the sprinkler system was not used to support non-system components. (NFPA 13, 9-1.1.7)</p> <p>The findings include:</p> <p>Observation and interview with the Director of</p>		H 872		

Division of Health Care Facilities

TITLE

(X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

6899

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If continuation sheet 1 of 5

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - LAKEWAY REGIONAL HO</b> B. WING _____		(X3) DATE SURVEY COMPLETED  <b>10/10/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 872	Continued From page 1  Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed wiring above the lay in ceiling was supported by sprinkler piping in central receiving area and the 1st floor elevator equipment room. Observation and interview further revealed sprinkler piping in the mechanical room behind the rehab gym was used to support a fluorescent light fixture and sprinkler piping in the corridor outside the basement elevator equipment room had a hanger support attached to the nitrous oxide medical gas piping.  Item #3 Based on observation and interview, the facility failed to assure smoke detectors were located no less than three feet from a HVAC air supply.  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 at 10:15 a.m. confirmed a smoke detector in the outpatient rehabilitation therapy area was located within one foot from an air supply.  Item #4 Based on observation and interview, the facility failed to assure one (1) hour fire rated construction is maintained.  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed unsealed penetrations in the following areas:		H 872		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNP53172	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - LAKEWAY REGIONAL HO B. WING _____	(X3) DATE SURVEY COMPLETED  10/10/2007
NAME OF PROVIDER OR SUPPLIER  LAKEWAY REGIONAL HOSPITAL		STREET ADDRESS, CITY, STATE, ZIP CODE 726 MCFARLAND ST MORRISTOWN, TN 37814		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)
H 872	Continued From page 2  1) Lab/purchasing area mechanical room around sprinkler piping 2) Basement mechanical room above the MSB-1 main switchboard electrical panel 3) Communications/storage room adjacent to the basement mechanical room around metal conduit 4) X-ray room # 3 above lay-in ceiling with one side of gypsum board removed in two square foot area  Item #5 Based on observation, interview, and record review, the facility failed to assure the fire rated construction of a vertical chase is maintained.  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 at 3:45 p.m. confirmed a two foot by three foot unprotected opening in the vertical chase on the second story, in the medical/ surgical unit across from room #140. Record review of building construction drawings dated 1991 did not indicate any opening in the vertical shaft on the second story.  Item #6 Based on observation and interview, the facility failed to provide a 90 minute fire rated door assembly to a two (2) hour fire rated enclosure.  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed the doors to two of		H 872	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - LAKEWAY REGIONAL HO</b> B. WING _____		(X3) DATE SURVEY COMPLETED  <b>10/10/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 872	Continued From page 3  two basement elevator equipment rooms had been modified with the installation of a louvered grill opening.  Item #7 Based on observation and interview, the facility failed to maintain the condition of the physical plant and the overall hospital environment in such a manner to ensure the safety and well-being of patients.  The findings include:  Observation and interview with the Maintenance Assistant and Risk Manager in the corridor, on October 10, 2007, at 10:30 a.m., confirmed the corridor in front of the Emergency Department ambulance entrance was obstructed by a 30 inch high volume fan in order to supplement area ventilation. Observation and interview further confirmed the fan's electrical cord was lying across the threshold under the door to an adjacent storage room		H 872		
H 893	1200-8-1-.08 (23) Building Standards  (23) A negative air pressure shall be maintained in the soiled utility area, toilet room, janitor's closet, dishwashing and other such soiled spaces, and a positive air pressure shall be maintained in all clean areas including, but not limited to, clean linen rooms and clean utility rooms.  This Statute is not met as evidenced by: Based on observation and interview, the facility failed to assure soiled spaces were maintained under a relative negative air pressure.		H 893		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - LAKEWAY REGIONAL HO</b> B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/10/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>		STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 893	Continued From page 4  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed the following areas were not provided under a negative pressure:  1) Endoscopy Center janitor 's closet 2) Endoscopy Center soiled utility room	H 893		



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**Lakeway Regional Hospital**  
**Plan of Correction**  
**State Licensure Survey 10/10-10/11/07**

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
H 513	1200-8-1-.05(8)(f) Admissions, Discharges and Transfers	<p>The Emergency Department Nurse Manager was notified of the delay in transfer of this patient during the survey, and was involved in discussion regarding the transfer process in this case. The EMS was contacted x 2 during the patient's stay – at 3:40 p.m. and 7:20 p.m. – for transfer of the involved patient. EMS finally arrived at the facility at 9:00 p.m. Ultimately, patient transfers depend on the availability of the EMS to provide transport.</p> <ol style="list-style-type: none"> <li>1) Therefore, the Emergency Department Nurse Manager has instructed her nursing staff to call EMS every hour for transport until EMS arrives at the facility to transport the patient. The Emergency Department Nurse Manager will generate a memorandum to the Emergency Department Nursing Staff regarding this process, and will remind them of the importance of timely patient discharges / transfers, in order to ensure continuity of care for patients. She will also reinforce this in her next departmental staff meeting.</li> <li>2) The Emergency Department Nurse Manager will inform the Emergency Department Medical Director of the delay in transfer of this patient.</li> <li>3) The Emergency Department Medical Director will inform the Emergency Department physicians during the next scheduled ED physicians meeting of the delay in transfer of this patient – and of the importance of timely patient discharges / transfers.</li> <li>4) Monitoring of timeliness of patient transfers will be done by the Emergency Department Nurse Manager on a weekly basis for 2 months, then on a monthly basis for 3 months. Monitoring results – to include overall transfer timeliness, any specific cases with transfer delays, any barriers to timely transfers, and actions taken to improve timeliness of patient transfers – will be reported to the hospital Administrative Team, Quality Improvement Council, Medical Executive Committee, and the Board of Trustees.</li> </ol>	<p>Instruction: 10/25/07</p> <p>Memo: 10/26/07</p> <p>Staff meeting: November 2007</p> <p>Completed 10/22/07</p> <p>Completed 10/23/07</p> <p>Monitoring and reporting to begin in November 2007</p>
H 649	1200-8-1-.06(3)(j)4. Basic Hospital Functions	<ol style="list-style-type: none"> <li>1) The manufacturer's recommendations for storage stability of warmed IV/irrigation fluids were obtained during the survey, and were noted by the Pharmacy Director and Chief Nursing Officer.</li> </ol>	Completed during the survey.

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Lakeway Regional Hospital  
Plan of Correction  
State Licensure Survey 10/10-10/11/07

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
		<p>2) It was decided that IV/irrigation fluids placed into warmers would need to be dated / initialed in order to confirm when they had been placed in the warmer. Staff members were instructed on this process and started this process in the Women's Pavilion on 10/10/07.</p> <p>3) A poster will be placed near the warmer in the Women's Pavilion to serve as a visual reminder of the requirement to date and initial IV/irrigation fluids prior to placing them in the warmer.</p> <p>4) A monitoring process will be developed by the Women's Pavilion Nurse Manager – to assess IV/irrigation bags in the warmer for dates / initials, to ensure all bags are discarded within 28 days of when they were placed in the warmer.</p> <p>5) The Women's Pavilion Nurse Manager will do weekly checks for 2 months, then monthly checks for 3 months, to ensure that IV/irrigation bags in the warmer have been dated/initialed. Monitoring results will be reported to the hospital Administrative Team, Quality Improvement Council, Medical Executive Committee, and the Board of Trustees.</p>	<p>Completed during the survey.</p> <p>10/26/07</p> <p>10/31/07</p> <p>Monitoring and reporting to begin in November 2007</p>
H 683	1200-8-1-.06(4)(j) Basic Hospital Functions	<p>1) The Anesthesia medication cart in the Cesarean Section delivery suite was locked during the survey, and the lead CRNA was notified of the unlocked cart and the incompletely labeled syringe, during the survey. The lead CRNA addressed the issue of the unlocked cart and pre-filled syringe without medication dosage with the CRNA staff during the survey.</p> <p>2) The Women's Pavilion Nurse Manager will develop a monitoring process to assess whether Anesthesia carts are locked – and if pre-filled syringes are completely labeled. The lead CRNA will be notified when any unsecured cart or any syringe is incompletely labeled. Disciplinary action will be taken for any continued non-compliance by CRNA staff.</p> <p>3) The Women's Pavilion Nurse Manager will perform the above-noted checks on a weekly basis for 2 months, then monthly for 3 months. Monitoring results will be reported to the hospital Administrative Team, Quality Improvement Council, Medical Executive Committee, and the Board of</p>	<p>Completed during the survey.</p> <p>10/31/07</p> <p>Monitoring and reporting to begin in November 2007</p>

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**Lakeway Regional Hospital**  
**Plan of Correction**  
**State Licensure Survey 10/10-10/11/07**

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
		Trustees.	
H 706	1200-8-1-.06 (5)(k) 8 Basic Hospital Functions	<ol style="list-style-type: none"> <li>1) The Health Information Management Director was notified of the deficiency during the survey.</li> <li>2) This issue was discussed with the Medical Executive Committee on 10/22/07. The Medical Executive Committee recommended issuing a memorandum to the Medical Staff reminding them of the requirements for medical record completion per the Medical Staff Bylaws/Rules &amp; Regulations. The Chief of Staff will issue this memorandum.</li> <li>3) Discharge summary completion is currently monitored monthly by the Health Information Management Department. Delinquent medical records percentages are reported to the Medical Executive Committee on a monthly basis. The 3<sup>rd</sup> quarter 2007 medical record delinquency rate for the facility was 8.91%. Physicians with delinquent medical records are suspended according to the Medical Staff Bylaws/Rules &amp; Regulations.</li> <li>4) In order to further improve physician compliance regarding medical record completion, the Health Information Management Director will submit a weekly list of incomplete discharge summaries to each physician.</li> <li>5) The Health Information Management Director will continue to monitor and report physician compliance with completing discharge summaries within 30 days of discharge on a monthly basis. Monitoring results will be reported to the hospital Administrative Team, Quality Improvement Council, Medical Executive Committee, and the Board of Trustees.</li> </ol>	<p>Completed during the survey.</p> <p>Memo: 10/29/07</p> <p>On-going</p> <p>To begin 10/31/07</p> <p>Monitoring and reporting to begin in November 2007</p>
H 872	1200-8-1-.08(2) Building Standards  <i>Item #1</i>  Corridor doors did not close to a positive latch. 1) Soiled utility room near Emergency Department	All door closers have been adjusted so that corridor doors close to a positive latch.	Completed 10/20/07

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**Lakeway Regional Hospital**  
**Plan of Correction**  
**State Licensure Survey 10/10-10/11/07**

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
	ambulance entrance 2) Soiled utility room near the Emergency department nurses station 3) Female locker room on 2 <sup>nd</sup> floor OB unit 4) 1 <sup>st</sup> floor exit door to MRI 5) 1 <sup>st</sup> floor housekeeping laundry room 6) 1 <sup>st</sup> floor janitor's closet adjacent to the housekeeping office		
	<i>Item #2</i>  The sprinkler system was used to support non-system components: 1) Wiring above the lay-in ceiling was supported by sprinkler piping in central receiving area and the 1 <sup>st</sup> floor elevator equipment room 2) Sprinkler piping in the mechanical room behind the rehab gym was used to support a fluorescent light fixture 3) Sprinkler piping outside the basement elevator equipment room had a hanger support attached to the nitrous oxide medical gas piping	Non-system components have been separated from the sprinkler piping.	Completed 10/21/07
	<i>Item #3</i>  Smoke detector in the outpatient rehabilitation therapy area was located within one foot from an air supply.	Will relocate smoke detector.	11/05/07
	<i>Item #4</i>  Unsealed penetrations noted in the following areas: 1) Lab/purchasing area	Penetrations have been sealed.	Completed 10/21/07

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**Lakeway Regional Hospital**  
**Plan of Correction**  
**State Licensure Survey 10/10-10/11/07**

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
	<p>mechanical room around sprinkler piping</p> <p>2) Basement mechanical room above the MSB-1 main switchboard electrical panel</p> <p>3) Communications/storage room adjacent to the basement mechanical room around metal conduit</p> <p>4) X-ray room #3 above lay-in ceiling with one side of gypsum board removed in two square foot area</p>		
	<p><i>Item #5</i></p> <p>2ft x 3ft unprotected opening in the vertical chase on the second story, in the Medical/Surgical unit across from room #140. Record review of building construction drawings dated 1991 did not indicate any opening in the vertical shaft on the second story.</p>	<p>A mechanical contractor has been contacted to visit the facility and provide a quote for resolution of this issue. The visit to provide the quote is scheduled for the week of 10/29/07. Two possible resolutions for the issue are being considered.</p> <p>Target date for resolution of this issue will be able to be decided upon when the contractor has visited the facility and provided the needed information. The construction which will be needed to remedy this issue is expected to be a capital expenditure.</p>	<p>An extension date is requested - to February 1, 2008, due to large project scope and high cost.</p>
	<p><i>Item #6</i></p> <p>The doors to two of two basement elevator equipment rooms had been modified with the installation of a louvered grill opening.</p>	<p>New doors will be ordered and installed.</p>	<p>An extension date is requested – to December 31, 2007, due to manufacturing and shipment timeframes.</p>
	<p><i>Item #7</i></p> <p>The corridor in front of the Emergency Department ambulance entrance was obstructed by a 30 inch high volume fan in order to</p>	<p>The fan has been removed from the ED entrance and from the facility. ED staff have been instructed that corridors must be kept clear. The Director of Engineering will do random surveys of the ED to ensure ambulance entrances are not obstructed.</p>	<p>Completed 10/18/07</p>

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**Lakeway Regional Hospital**  
**Plan of Correction**  
**State Licensure Survey 10/10-10/11/07**

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
	<p>supplement area ventilation. Observation and interview further confirmed the fan's electrical cord was lying across the threshold under the door to an adjacent storage room.</p>		
H 893	<p>1200-8-1-.08(23) Building Standards</p> <p>Soiled spaces were not maintained under a negative air pressure.</p> <ol style="list-style-type: none"> <li>1) Endoscopy Center janitor's closet</li> <li>2) Endoscopy Center soiled utility room</li> </ol>	<p>Air supply has been adjusted to create negative pressure in these areas.</p>	<p>Completed 10/19/07</p>

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF HAMBLLEN

Clyde Wood, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

  
SIGNATURECHIEF EXECUTIVE OFFICER  
TITLE

Sworn to and subscribed before me this 9th day of May 2014 a Notary Public in and for Hamblen County, Tennessee.

  
NOTARY PUBLIC

My commission expires 01-17-18









77844  
10 AUG 2014

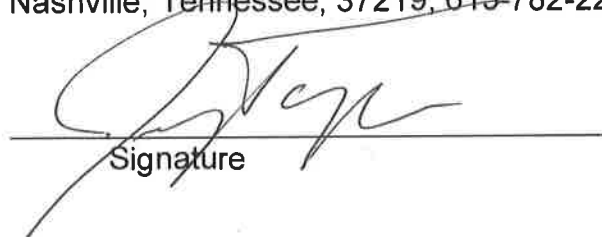
## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Citizen Tribune, which is a newspaper of general circulation in Hamblen County, Tennessee, on or before May 9, 2014 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Lakeway Regional Hospital, owned and managed by Hospital of Morristown, Inc., intends to file an application for a Certificate of Need for authorization to discontinue its obstetrical service. The 16 obstetrical beds will be re-distributed to the general medical-surgical bed complement. Lakeway Regional Hospital is located at 726 McFarland Street, Morristown, Tennessee 37814. Lakeway Regional Hospital is licensed as a general hospital by the Tennessee Board for Licensing Health Care Facilities. The number of licensed hospital beds (135) will not change as a result of this proposal. No major medical equipment is involved in this project. The estimated project cost is \$33,000.00.

The anticipated date of filing the application is May 14, 2014.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, SunTrust Plaza, Suite 800, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228, [jerry.taylor@stites.com](mailto:jerry.taylor@stites.com).

  
Signature

5-9-14  
Date

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The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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**CERTIFICATE OF NEED  
REVIEWED BY THE DEPARTMENT OF HEALTH  
DIVISION OF POLICY, PLANNING AND ASSESSMENT  
615-741-1954**

**DATE:** July 31, 2014

**APPLICANT:** Lakeway Regional Hospital  
726 McFarland Street  
Morristown, Tennessee 37814

CN1405-013

**CONTACT PERSON:** Jerry W. Taylor, Esquire  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219

**COST:** \$33,000

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant, Lakeway Regional Hospital, located 726 McFarland Street, Morristown, (Hamblen County), Tennessee, seeks Certificate of Need (CON) approval for the discontinuance of obstetrical services (OB). The applicant intends to redistribute 16 obstetrical beds (6 Labor, Delivery, Recovery, and Post-Partum (LDRP) beds and 10 Post-Partum beds) to the general medical surgical bed complement. Lakeway Regional is licensed as a 135 bed general hospital and its bed count will remain the same if this project is approved. There is no major medical equipment involved in this project.

Lakeway Regional Hospital has not determined what the vacated space left by the OB will be used for in the future. There is no construction or renovation involved in this project.

Lakeway Hospital is owned by Hospital of Morristown, Inc., whose ultimate parent company is Community Health Systems, Inc.

The total estimated project cost is \$33,000 and there are no capital costs involved. The only costs involved are legal, administrative, and consultant fees and the CON filing fee. The cost of the project will be funded through cash reserves as documented in a letter from the Chief Financial Officer in a letter located in Attachment C, II, Economic Feasibility-2.

**GENERAL CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

**NEED:**

The applicant's service area consists of Cocke, Grainger, Hamblen, Hawkins, and Jefferson counties. Residents of these five counties accounted for approximately 87.4% of obstetrical admissions in 2013.

Grainger, Hawkins, and Jefferson counties do not have inpatient OB service available. Inpatient OB services are available at Tennova Health Newport (f/k/a Baptist Hospital Newport) in Cocke County and at Morristown-Hamblen Healthcare System in Hamblen County. Morristown-Hamblen

is located approximately 0.2 miles from Lakeway Regional.

The following chart illustrates the 15 to 44 female populations for the applicant's service area:

**Service Area Female Population 15-44 2014 and 2018**

County	2014 Population	2018 Population	% of Increase/ (Decrease)
Cocke	6,712	7,387	10.1%
Grainger	4,076	4,249	2.7%
Hamblen	11,732	12,182	2.8%
Hawkins	9,478	8,628	-9.0%
Jefferson	9,939	10,535	6.0%
<b>Total</b>	<b>41,937</b>	<b>42,981</b>	<b>2.5%</b>

Source: *Tennessee Population Projections 2010-2020, June 2013 Revision*, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health

Lakeway Regional Hospital's need to discontinue its inpatient OB service is driven by the following circumstances:

- (1) The four medical staff providers with active staff membership are converted to consulting staff effective May 1, 2014, making it difficult to have adequate physician coverage in the newborn nursery;
- (2) The loss of at least four nurses who were covering the obstetrics unit and nursery as a result of the changing medical staff status of pediatricians;
- (3) There are only two obstetricians with active privileges delivering babies at Lakeway Regional. Even with both of these obstetricians meeting their required call responsibilities, there is no assigned OB call coverage at Lakeway regional Hospital 20 out of 30 days each month;
- (4) The decline of OB volume and; (5) The economic and operational inefficiencies of keeping the service functioning at a safe level in light of the above mentioned circumstances.

There are 6 OB providers practicing in Morristown; 4 of these providers are employed by Morris-Hamblen Healthcare Systems and cannot have staff privileges at Lakeway Regional. The remaining 2 providers are independent practitioners in the community. Of these two remaining providers, one is on staff at Lakeway Regional and Morristown-Hamblen, and the other has privileges only at Lakeway Regional. According to the Joint Annual Report of Hospitals 2012, there were 1,124 deliveries at both of the facilities in Morristown. The applicant asserts that if all providers were equally active, each of the providers would average 16 deliveries per month. The applicant believes that based on the volume and demographics of the service area, it is difficult for physicians to sustain a practice, thus making recruitment of additional physicians difficult if not impossible. There're approximately 9 providers in the community that cover nursery call, with the majority having active staff at Morristown-Hamblen.

Lakeway Regional recruited and contracted with an OB/GYN in 2011 that left after that agreement ended in July 2012. When looking at overall community coverage and available providers in the market, additional recruitment efforts were/are not feasible.

According to the applicant, Lakeway had 246 deliveries in 2013, for a 17.4% annual decline and a 24.8% two year decline in deliveries in 2013.

The following chart shows the deliveries by providers in the service area for the three previous Joint Annual Reports of Hospitals:

### Deliveries by Hospital in the Service Area

Hospital	2010 Deliveries	2011 Deliveries	2012 Deliveries
Lakeway Regional	271	327	298
Morristown Hamblen	836	801	826
Tennova Newport	207	258	208

Source: *Joint Annual Report of Hospitals, 2010, 2011, 2012* Tennessee, Department of Health, Division of Policy, Planning, and Assessment

Lakeway Regional currently has two active medical staff OB providers, of which one is on both Lakeway and Morris-Hamblen's staff. This physician has the ability to shift his volume as needed based on his medical staff privileges. The other physician has a very small practice having delivered 64, 46, and 39 babies in 2011, 2012, and 2013. Given the low volume of this physician, the other 5 physicians are accepting new patients.

Morris-Hamblen and Tennova Newport have indicated in letters included in the application that they are willing and have the ability to absorb the OB volume from Lakeway Regional Hospital.

#### **TENNCARE/MEDICARE ACCESS:**

Lakeway Regional Hospital is certified for both Medicare and TennCare/Medicaid.

The applicant has contracts with TennCare Select and United Healthcare Community Plans.

In CY 2013, the applicant states Medicare revenues for OB were 2.1% TennCare revenues 76.3%.

#### **ECONOMIC FACTORS/FINANCIAL FEASIBILITY:**

The Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

**Project Costs Chart:** The Project Costs Chart is located in the application on page 21. The total project cost is \$33,000.

**Historical Data Chart:** The Historical Data Chart for OB services only is located on page 24 of the application. The applicant reported 327, 298, and 246 deliveries in 2011, 2012, and 2013, with net operating income/(loss) of \$201,332.60, (\$3,522.58), and (\$57,560) each year, respectively.

**The Historical Data Chart for the entire hospital is located** in Supplemental 1. The applicant reported 3,478, 3,264, and 2,607 admissions in 2011, 2012, and 2013, with net operating income/(loss) of (\$274,311), (\$2,729,161), and (\$3,936,912), respectively.

**The Historical Data Chart** for 2014 OB deliveries is located in Supplemental 1. The applicant reports 184 deliveries with net operating income/(loss) of (\$492,498.34).

**Projected Data Chart:** The Projected Data Chart is located in the application on page 26. The applicant projects 2,419 and 2,467 admissions in years one and two, respectively. The total net operating revenue in year one is projected to be (\$900,859) and (\$845,995.11) in year two of the project.

**The Projected Data Chart including OB services** is located in Supplemental 1. The applicant projects 2,569 and 2,620 admissions in year one and two of the project. The total

net operating revenue in year one is projected to be (\$6,101,172.44) and (\$6,823,637.94) in year two of the project.

The applicant's charges and those of the two other service area facilities are listed below.

Hospital	Gross Vaginal Charge	Gross Caesarian Charge
Lakeway Regional	\$12,055	\$37,825
Morristown Hamblen	\$5,486	\$7,647
Tennova Newport	\$9,587	\$14,541

*Applicant Reported*

The applicant's average net charge was \$10,616 per delivery.

The applicant reports there is no alternative but to discontinue OB service due to rising costs of the service and lack of medical staff pediatricians and nurses.

#### **CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:**

The applicant provides a listing of providers in Attachment C, Orderly Development 1, and a copy of a transfer agreement with Morristown Hamblen attached as Attachment C, I, Need, a, (1).

The positive effects of the proposal include 1) allowing OB services to continue to be provided in the same community at a hospital which has a stable medical staff, 2) enable Lakeway Regional to operate in a more cost efficient manner, and 3) it will increase OB volume at Morris-Hamblen.

The primary negative effect is the lessening of patient choice of providers of OB services. However, an alternative provider is available 0.2 miles away.

The full complement of staff for OB services included 14.0 FTE registered nurses. 1.0 FTE licensed practical nurse, and 2.0 FTE surgical technicians. There is no proposed staff since this proposal is to discontinue OB services.

Lakeway Regional participates in rural hospital rotations with Lincoln Memorial University-Debusk College of Osteopathic Medicine and University of Pikeville-Kentucky –College of Osteopathic Medicine.

Lakeway Regional is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by the Joint Commission. The most recent licensure survey and plan of correction is located in Attachment C, III, Orderly Development, 8.

#### **SPECIFIC CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

#### **DISCONTINUANCE OF OBSTETRICAL SERVICES**

##### **A. Need**

1. A specific service area should be identified and all existing providers of obstetrical services in that service area should be identified.

*The applicant's service area consists of Cocke, Grainger, Hamblen, Hawkins, and Jefferson counties. Residents of these five counties accounted for approximately 87.4% of obstetrical admissions in 2013.*

- The female population aged 15-44 in the service area should be identified. The current year's population and the population four years hence should be used.

*The following chart illustrates the 15 to 44 female populations for the applicant's service area:*

***Service Area Female Population 15-44 2014 and 2018***

<b>County</b>	<b>2014 Population</b>	<b>2018 Population</b>	<b>% of Increase/ (Decrease)</b>
<i>Cocke</i>	6,712	7,387	10.1%
<i>Grainger</i>	4,076	4,249	2.7%
<i>Hamblen</i>	11,732	12,182	2.8%
<i>Hawkins</i>	9,478	8,628	-9.0%
<i>Jefferson</i>	9,939	10,535	6.0%
<b>Total</b>	<b>41,937</b>	<b>42,981</b>	<b>2.5%</b>

*Source: Tennessee Population Projections 2010-2020, June 2013 Revision, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health*

- The number of obstetrical patients served by the facility over the past three years should be listed.

*According to the applicant, Lakeway had 246 deliveries in 2013, 298 in 2012, and 327 in 2011.*

<b>Hospital</b>	<b>2010 Deliveries</b>	<b>2011 Deliveries</b>	<b>2012 Deliveries</b>
<i>Lakeway Regional</i>	271	327	298

*Source: Joint Annual Report of Hospitals, 2010, 2011, 2012 Tennessee, Department of Health, Division of Policy, Planning, and Assessment*

- The estimated number of obstetrical patients affected by the discontinuance of obstetrical services should be listed. The estimated number of obstetrical patients below the federally established poverty level and affected by the discontinuance of the service should be listed separately.

*The applicant estimates less than 203 patient would have to seek an alternative provider, which in this case, is 0.2 miles from Lakeway Regional. The demographics table in Attachment C, I, Need. 4 show 17.8% of the service area population is below federal poverty level. All five counties are medically underserved areas (MUA).*

**B. Accessibility**

- Indicate the distance in miles and approximate travel time that patients in need of obstetrical services would have to travel, should the service be discontinued at the designated site.

*Morristown-Hamblen is located approximately 0.2 miles from Lakeway Regional.*

- Indicate the modes of transportation which will be used by obstetrical patients to travel to alternate sites, should the service be discontinued at the designated site.

*Most of the OB patients arrive by automobile and some arrive by ambulance.*

- Indicate the facilities that will provide obstetrical services in the service area, should the service be discontinued at the designated site.

*Inpatient OB services are available at Tennova Health Newport (f/k/a Baptist Hospital Newport) in Cocke County and at Morristown-Hamblen Healthcare System in Hamblen County. Morristown-Hamblen is located approximately 0.2 miles or two minutes from Lakeway Regional. Tennova-Newport is 21.9 miles or 35 minutes from Lakeway Regional.*

4. The charges for obstetrical services at alternate service delivery sites should be compared to those of the facility seeking to discontinue the service.

*The applicant's charges and those of the two other service area facilities are listed below.*

<b><i>Hospital</i></b>	<b><i>Gross Vaginal Charge</i></b>	<b><i>Gross Caesarian Charge</i></b>
<i>Lakeway Regional</i>	<i>\$12,055</i>	<i>\$37,825</i>
<i>Morristown Hamblen</i>	<i>\$5,486</i>	<i>\$7,647</i>
<i>Tennova Newport</i>	<i>\$9,587</i>	<i>\$14,541</i>

*Applicant Reported*

5. The applicant should document that TennCare and/or Medicare patients can receive obstetrical services at the alternate service delivery sites.

*Both Morris-Hamblen and Tennova Newport submitted letters indicating they had the capacity and were willing to absorb Lakeway Regional's OB patients.*